

Management RECORD

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- Combination Employee Savings Plans
- Attracting and Selecting New Employees
- A Modern View of Rules and Discipline
- Individual vs. General Salary Increases



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• In the Record •

Individual vs. General Salary Increases

Much research has been done on the dual allegiance of production workers—to both their company and their union. But what about the dual allegiance of salaried and managerial personnel—in this case, to both their company and the production workers' union? Sound fantastic? Perhaps. Yet a number of companies point out that the practice of extending general wage increases to salaried personnel may produce something like dual allegiance. The salaried employee may become convinced that his pay depends on the success of the wage earner, or his union, in securing pay increases, rather than on his own performance.

This is one of several reasons that have prompted some companies to abandon the practice of extending general increases. These firms now believe that they can best maintain an equitable salary structure through the use of salary budgets. Other companies remain satisfied with the general increase approach and say that "if the right procedures are established, there is no reason why salaried employees still can't be given individual treatment. . . ."

For a report on the specifics of this controversy, see *Individual vs. General Salary Increases* which starts on page 18.

The New Employee

What can industry learn from the enthusiastic response to the Peace Corps? A great deal, suggested W. Rowland Allen, personnel director of L. S. Ayres & Company, at a recent Conference Board Round Table. Business must realize, said Mr. Allen, that the most capable employees may not be as attracted by high wages, easy jobs and rapid promotion as they are by the opportunity to be of service, to do a good job in a good company. To get the best men available, Mr. Allen urged companies to refurbish their corporate images, not raise their starting salaries.

At the same meeting, Clifford E. Jurgensen, of the Minneapolis Gas Company, advocated applying proven research principles to the area of employment. "The tragedy is not only that this [not applying these principles] results in costly and ineffective operation, as well as gross unfairness to numerous individuals, but that it is so unnecessary and could be remedied so easily."

Rounding out the discussion, James S. Bruce, director of

training at Eastman Kodak, offered companies some hints on how to orient the new employee, especially during the crucial first twenty-four hours on the job. The text of this Round Table begins on page 15.

Combining Short and Long Term Employee Savings Plans

"In the long run," said J. M. Keynes, "we're all dead." This oft-quoted remark revealed the great economist's impatience with his colleagues' emphasis on long-range trends. Like Mr. Keynes, a great many people dislike waiting around to realize the benefits of a particular program. This dislike helps explain why some companies that started with savings plans geared to retirement income now permit employees to choose between the long-term program and a short-term one designed for more immediate savings objectives.

The article beginning on the next page presents an exhaustive analysis of twenty-seven such combination savings plans, emphasizing the operating experiences of companies that have them. The article answers such questions as: Which employees are covered? What percentage participate? How much are participants permitted to save? How much does the company contribute? What is the total cost to the company? Where is the money invested? and What happens when the employee terminates?

Rules and Discipline

"Spare the rod and spoil the employee" more or less summarizes the old-time concept of employee discipline. Rules and regulations, often based on the whim of a boss, were largely punitive and unconstructive. Further, they usually attempted to control the private lives of workers.

Today, although rules are still necessary, management's attitude toward them has changed. The modern emphasis is on encouraging voluntary compliance with regulations by making them reasonable, understandable and considerate. When punishment is necessary, the measures taken are aimed at rehabilitating the offender and returning him to usefulness.

For a description of rules and disciplinary measures found in company handbooks, see the article that begins on page 21.

HIGHLIGHTS

FIFTEEN OF THE twenty-seven combination savings plans cover all employees in the company after they have been on the payroll some specified period of time; the other twelve plans are limited to salaried employees.

ON THE AVERAGE, 80% to 90% of eligible employees participate in the plan. Participation rates are somewhat lower for production workers than for clerical and management employees.

IN GENERAL, participants tend to choose the short-term savings program rather than the long-term one. However, in some plans, a provision for withdrawal of company contributions to the long-term option prior to termination of employment (even with penalties) apparently encourages a substantial group of employees to choose this program.

MOST PLANS allow a participant to put a maximum of 5% to 10% of his salary in the plan, with one-third of the plans setting the maximum at 10%. A substantial majority of participants contribute at the maximum rate allowed by the plan.

AS A RULE, the company contributes 50 cents for each dollar a participant saves. In addition, the company pays the cost of administering the plan. However, company contributions forfeited by a participant generally are credited to future company contributions, thus cutting the cost of the plan to the company.

The cost per participant per year (excluding administrative expenses) reported by most of the companies ranges between \$150 and \$250.

COMPANY CONTRIBUTIONS to the plan invariably must be invested in company stock. For the most part, employee contributions are invested in company stock and/or "E" bonds.

IN THIRTEEN plans, the employee has some choice in how his own contributions are to be invested. A sizable majority of participants in these plans choose the investment program that allows them to maximize the amount of their savings invested in company stock.

IN NINETEEN plans, a participant can vote some or all of the shares of company stock held in his account.

IF A PARTICIPANT leaves the company because of retirement, disability or death, he (or his beneficiary) usually receives his and the company's contributions in his account. If termination is due to any other reason, a participant loses all unvested company contributions in at least half of the plans; in the other half, some or all of the unvested company contributions in his account are given to him.

Combining Share

DURING the past decade a special type of employee stock purchase plan, with its roots in the oil industry, has branched out into the larger companies in a variety of other industries. Although any number of labels have been attached to these plans, they are now generally known as employee savings plans.

Practically all of these plans in the oil industry, and most of them in other industries, have been designed with one primary objective: to encourage employees to set aside some of their salary for their retirement through a systematic, long-term, stock purchase program.

However, during the last few years a number of companies, mostly manufacturers, have installed savings plans that allow a participant to choose between a long-term savings program geared to retirement and a short-term program geared to more immediate savings objectives.

This article is an analysis of these combination plans—with the emphasis on the operating experience of individual companies that have them. Although very little has been published about the structure of these relatively new savings plans, even less has been reported on actual company experience with them. Therefore, in order to highlight this operating experience, only those aspects of the mechanics of the plans are described here that seem necessary to understand company experience. As a result, a number of minor features are omitted from this article. However, details on the plans will be published as part of a basic Conference Board study of all types of employee savings plans, later in the year.

PREVALENCE OF COMBINATION PLANS

At the beginning of 1961, probably not many more than one hundred United States corporations had an employee savings plan that fits the definition which is given in the box on page 4. THE CONFERENCE BOARD obtained a copy of practically every plan used by the companies listed on the New York Stock Exchange in July, 1960. In addition, probably all plans used in November, 1958 by the larger companies of

Long Term Employee Savings Plans

the American Stock Exchange were obtained. As a result of these two investigations, 102 companies with a qualified employee savings plan have been identified.

Of these 102 plans, twenty-seven combine a long- and short-term savings program (nearly all of the other plans are long-term). All of these twenty-seven combination plans were introduced during the last decade, with half of them going into operation during 1957-1959. Here is an industry breakdown:

Industry	No. of Combination Plans
Manufacturing	21
Oil	6
Chemicals	4
Primary metals	4
Machinery	2
Transportation equipment	3
Food	1
Stone, clay, and glass	1
Nonmanufacturing	6
Gas companies and systems	4
Electric utilities	1
Transportation	1

EMPLOYEE COVERAGE

These combination plans are about evenly split between those that apply to all employees in the company and those that are limited to the firm's salaried employees.

- Fifteen plans cover all regular, full-time employees, except that two exclude officers and one plan excludes any employee earning more than \$17,000 a year.
- Twelve plans limit coverage to regular, full-time salaried employees. However, one of these plans excludes officers of the company and two others, in effect, are limited to exempt salaried employees.

For the most part, covered employees must have some service in the company before they can participate in a plan; and three plans have an age requirement as well.¹

¹ The service requirement for one plan is not known.

- Six plans require less than one year's service for participation: one month (two plans), three months, six months, six months and age twenty-five, and nine months respectively.

- Thirteen plans require one year of service before participation, and in one of these an employee must be at least twenty-one as well.

- Seven plans require more than one year's service for participation: one requires eighteen months' service and age twenty-one; three call for two years' service; two require five years' service; and in one an employee must have five years' service and also be age thirty.

In addition to service and age requirements, eligibility for some savings plans also is related to two other benefit arrangements: contributory pension plans and stock option plans. Among the ten companies in the group that have a contributory pension plan, five require that a participant in the savings program must also maintain his contributions to the pension plan. Any interruption in pension plan participation automatically stops participation in the savings plan.

On the other hand, three of the eighteen companies with a stock option plan do not allow a participant in this program to enroll in the savings plan. Also, the three plans that automatically exclude officers from the savings plan in effect exclude an important group of stock option recipients; however, executives who are not officers can participate in the savings plan even though they are granted stock options.

Participation Rates

Each of the companies with a combination type savings plan was asked to indicate the approximate percentage of eligible employees that actually participate. Then, to get a more detailed picture, participation rates for the following four employee groups were also requested: "management"; other (nonmanagement) exempt employees; nonexempt clerical employees; and nonexempt production workers. All but five of the companies supplied at least some of these data; the experience of these twenty-two companies is shown in Table 1.

For the eleven plans in the table that cover all employees, the median percentage that participate is 90%, with only one company reporting less than three-fourths of eligible employees in the plan. As might be expected, participation generally declines as one moves down the company hierarchy from management to production workers.

However, in five plans (Numbers 1-5 in the table) the participation rates at these two extremes differ very little. As a result, the over-all participation rates for the plans limited to salaried employees are about on a par with the group of plans that include production workers.

It might be noted, too, that differences in plan

characteristics do not explain the variation in participation rates. As the next section illustrates, most of these combination plans are basically similar; the plans in Table 1 with relatively low participation (11, 21 and 22, for example) do not differ markedly from those with high participation.

MECHANICS OF THE PLANS

The fundamental mechanism of the plans that combine a short- and long-term savings program is based on two concepts: a short-term "savings cycle" and a "class year." The way in which a combination plan with a three-year savings cycle would work out for the "class of 1960" is shown on the chart on page 6.

Savings Plans Defined

As used in this article, a savings plan includes the following basic elements:

- Voluntary employee savings, within a specified range, are made through payroll deductions.
- Company contributions are primarily a function of the level of *employee savings*.
- The combined funds are put into a *qualified* employee trust for *deferred* distribution.¹
- Company stock and government securities are the predominant form of investment.

It should be noted that this definition excludes a number of benefit plans, often called "thrift" or "savings" plans, that involve the purchase of company stock. For instance, the following three types of plans are eliminated.

Nearly all *straight stock purchase plans* are excluded because they generally do not require company contributions.

An important segment of *stock-bonus plans* are eliminated. In this case, government bonds or company stock purchased by an employee are given to him at the time he makes the final payment on them; and the employer bonus—in the form of company stock—is distributed as soon as it is earned. A qualified employee trust fund is not involved as in a savings plan, nor is the distribution of securities deferred beyond the date of purchase.²

¹ The plans are qualified under Section 401 (a) of the Internal Revenue Code of 1954. Therefore the company's contributions to the plan can be deducted from corporate gross income for the year in which they are made, but these contributions are not taxable income to a participating employee until distributed to him. The income of the trust fund also is exempt from taxation, so that earnings on securities in the account of an employee are not taxable until distributed. If all funds in an employee's account are distributed within one taxable year after he terminates employment, the

Nearly all *contributory deferred profit-sharing plans* are eliminated by the requirement that company contributions are primarily a function of employee savings. Under a standard contributory deferred profit-sharing plan, company contributions for any year depend *entirely* on the profit level that year (although an employee's prorated share of the profits may depend on his savings).

In most of the savings plans discussed in this article, the company contribution in any year depends *entirely* on the amount of savings by participating employees, because the company contribution is a specified percentage of such savings. In some of these plans, however, company profits are a "secondary" factor in determining the company contribution. In these plans, the *rate* at which employee savings will be matched depends on profits. For example, if profits are below 6%, the company may contribute 50¢ for each dollar an employee saves; but if profits rise above 6%, the company contribution jumps to 75¢ on the dollar. In exactly the same fashion, length of service is a "secondary" factor in some plans. A participating employee with less than five years of service may receive 50¢ on the dollar; an employee with more than five years, 75¢.

employee will be taxed at capital gains rates; if the distribution includes company stock, the unrealized appreciation in the value of the stock is not taxed at all at the time of distribution. If funds in an employee's account are distributed while he is still employed, they are taxed as ordinary income. Of course, he is not taxed on his own (aftertax) contributions to the plan in any case. Furthermore, if his contributions are used to purchase company stock, he does not have to pay any tax on any increase in the value of the stock over its cost until he sells it.

² The deferred-distribution requirement also eliminates any standard stock purchase plan that might be construed to involve employer contributions, such as stock options for rank-and-file employees or stock purchase plans in which stock is sold at a discount.

Table 1: Employee Participation Rates for Combination Plans

Plan	Over-all Per Cent	Per Cent of Eligible Employees Participating in Plan			
		Exempt Employees		Nonexempt Employees	
		"Management"	Other	Clerical	Production
Plans Covering All Employees ¹					
1	97%	98%	98%	98%	91%
2	96	100	100	96	95
3	95	99	99	94	94
4	95	99	97	90	95
5	91	98	*	*	*
6	90	95		82	75
7	88	100	91	87	71
8	82	*	*	*	*
9	80	90	90	79	79
10	77	92	85	69	
11	54	100	76		40
Plans Covering Salaried Employees Only ²					
12	92%	98%	90%	not covered	
13	90	95	95	85	not covered
14	90	*	*	*	not covered
15	89	*	*	*	not covered
16	86	90	87	80	not covered
17	84	*	*	*	not covered
18	84	*	*	*	not covered
19	83	88		not covered	
20	72	*	*	*	not covered
21	65	92	61	61	not covered
22	60	*	*	*	not covered

¹ Excludes three plans for which data not available and one plan for which data on salaried employees only were available.

² Includes data for salaried employees in one plan covering all employees. Excludes two plans for which data not available.

* No data.

As a matter of fact, except for minor variations, the chart gives an adequate description of almost 60% (sixteen) of the twenty-seven combination plans.

Actually, the twenty-seven plans fall into two basic groupings. Twenty allow an employee to contribute to either the short-term or the long-term feature; he cannot contribute to both at the same time. These twenty plans are also alike in that they use a "class year," sixteen of them in much the same way as the plan charted. Four are somewhat different.

The second basic grouping, made up of seven plans, allows an employee to contribute to both long- and short-term savings simultaneously; these plans have separate funds for the two types of savings.

The single-fund group will be considered first, with the sixteen plans similar to the one charted examined below; the four "different" plans in this single-fund group are analyzed separately.

Closed Class Year Plan with Options

In the plan diagrammed on the chart, the first year of the three-year savings cycle is the "year of formation" of the class of 1960.¹ During this first year, em-

¹ As the chart implies, most (eleven) of these sixteen plans use the calendar year as the class year, but the first of May, July, October and December are also used as the starting point for a class year.

ployee savings and company contributions go into the class; on December 31, the class is "closed" and no more contributions can be made to it.¹ The invested funds are held for two full years, earning interest and dividends.² Then, on January 1, 1963, the class "matures." If a participant has chosen the short-term program for that class, the entire amount he has accumulated is distributed to him automatically.

In this example, the short-term savings cycle is only three years. But not all plans use a three-year cycle. The length of the cycle in the sixteen plans is shown below.

3-year cycle	2 plans
4-year cycle	6 plans
5-year cycle	4 plans
6-year cycle	3 plans
13-year cycle ³	1 plan

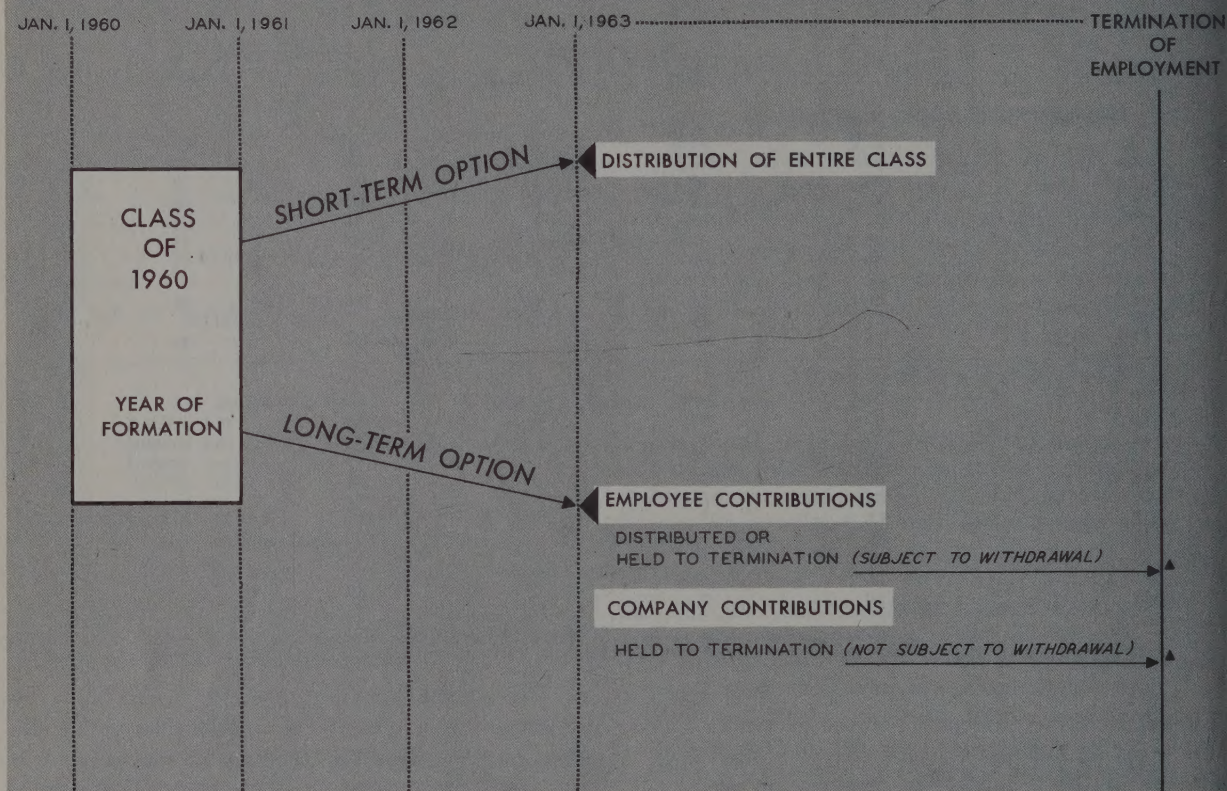
¹ Generally speaking, company and employee contributions to a class year remain in that class year after it closes, even though the employee's account for the year may be credited with only a partial share of stock because contributions were not large enough to buy a full share. However, seven of the sixteen plans provide that some or all of these "unapplied" funds can be transferred to the next year.

² And, in some cases, accumulating forfeitures of company contributions by participants who leave the plan. See page 11.

³ To call a thirteen-year cycle a short-term cycle is stretching a point, obviously; but this plan also has an option that provides for payment at termination of employment.

Closed Class Year Plan—with Options

Three-year Savings Cycle



It should be noted that, whatever the length of the savings cycle, after a participant has contributed consistently to a short-term class for the length of the savings cycle, he begins to receive a *yearly* payoff from the plan. In the plan shown on the chart, for example, after contributing during 1962, the participant receives the securities for the 1960 class; after making his last contribution in 1963, he receives the securities for the 1961 class; and so on.

But if, instead of choosing the short-term program for a class, a participant elects the long-term one, all *company* contributions in the matured class remain in the plan until the employee terminates employment. Furthermore, in all but one of the sixteen plans, an employee cannot withdraw these company contributions before leaving the company, although seven plans will make an exception in cases of "unusual hardship."¹

¹ In one plan a participant may withdraw all funds held in all matured classes; however, he then must withdraw from the plan for one year. He may also close out only some of the matured classes; if so, he must suspend participation in the plan for six months.

The disposition of *employee* contributions in the matured class under the long-term option varies somewhat among the sixteen plans.¹

- In three plans a participant automatically receives his own contributions to a class when it matures; only company contributions are subject to the long-term option.
- In ten plans, a participant may choose whether he wants to take his contributions at the time the class matures or leave them in the plan. If he leaves them, he may withdraw all or any part at any time prior to termination of employment; and, of course, he loses none of the company funds retained under the long-term option.
- In two plans, the participant who chooses the long-term program must leave his own contributions in the matured class. However, he may make withdrawals prior to termination of employment. One plan limits such withdrawals (from any or all matured classes) to one a year. The other plan requires the participant to withdraw not only his own contributions but also the company contributions.

¹ All of the plans allow an employee to withdraw his own savings at any time prior to the maturity of a class. If a participant does this, he loses all company contributions attributable to these withdrawals, except in five plans in which the portion of company contributions which is forfeited depends on the length of time the class has been in existence.

contributions but also the company contributions in a matured class. If all funds in all matured classes are withdrawn, participation is suspended for one year; if some, but not all, matured classes are closed out, participation is suspended for six months.

- In one plan, employee contributions are invested 50-50 in "E" bonds and company stock. The government bonds in the class are distributed automatically when the class matures. But company stock purchased by the employee remains in the plan, along with company contributions, under the long-term option and cannot be withdrawn until termination of employment.

Class Year Option Variant

The four "different" plans in this group of twenty all have a three-year savings cycle; and, in each, all company contributions are used to buy company stock. In three plans, employee savings are also invested entirely in company stock and in the other plan, entirely in "E" bonds.

Under the short-term option of these plans, all full shares of company stock (or in the one case, "E" bonds) purchased during the year of formation by employee contributions are distributed automatically at the close of the year of formation; any fractional shares attributable to the participant's contributions are allocated to the next class being formed. Similarly, fractional shares attributable to company contributions are allocated to the next class year. But full shares of company stock purchased by company contributions during the year of formation are held for two more years and then distributed, along with any dividends earned on them during the two years.

Under the long-term option of these plans, the full shares of company stock purchased by company contributions during the year of formation are held until the participant terminates employment; however, all but one plan allows withdrawals of these company contributions prior to termination of employment.

In two plans, only the full shares purchased by company contributions are subject to the long-term option. Full shares purchased by the employee are given to him at the close of the year in which they are purchased; partial shares are allocated to the next class year.

- In one of these two plans, up to one-half of the company-purchased shares in all matured classes can be withdrawn once each plan year; company contributions are then suspended for three months, although employee contributions can be continued. All company-purchased shares in all matured classes also can be withdrawn, but the employee must suspend participation for a full year.

- In the other plan, company-purchased stock vests im-

mediately in a participant. He may withdraw all funds in his account at any time, and suspend participation for one year. Or, he may withdraw, at any time, two-thirds of all funds in all classes and suspend participation for six months.

In the other two plans in this group, full shares purchased by an employee during the year of formation can be retained in the plan until he terminates employment. (Or these full shares can be distributed at the close of the year in which they are purchased, just as in the first two plans.)

- In one plan, a participant can withdraw some or all of his own stock once a year without penalty. He may also withdraw one-quarter of company-purchased shares in all matured classes once each year; however, he must also withdraw all his own stock and suspend participation for six months.

- In the other plan, company-purchased shares under the long-term option cannot be withdrawn prior to termination of employment. Employee-purchased shares can be withdrawn after they have been in the plan for two years beyond the year in which they were purchased; but if this withdrawal is made, participation is stopped for six months.¹

Two-fund, Class Year Plans

The remaining seven combination plans allow participants to contribute to both programs at the same time; that is, these plans provide for separate short- and long-term funds.

Four of these two-fund plans use the closed class year mechanism shown on the chart. In these plans, contributions to the short-term fund in any class year are handled like the short-term option on the chart: during the year of formation, company and employee contributions form the short-term class and these contributions are invested and held until the class matures and then are distributed. In two of the plans, distribution takes place two years after the close of the class (as shown on the chart); in the other two, three years after the close of the class.²

If a participant puts any of his savings for a class year into the long-term fund, both his own and company contributions attributable to these savings are held until termination of employment. The availability of these funds prior to termination, however, varies with the plan.

¹ A participant also can withdraw completely and obtain all of his contributions in the plan. However, he forfeits company contributions made for the year in which withdrawal occurs and he must suspend participation for one year. Company-purchased securities for the years prior to withdrawal are distributed according to the method the participant originally elected.

² A participant can withdraw his own funds prior to the maturity of a short-term class. But the procedure is somewhat different in each of the four plans, since an employee generally loses some or all of the company contributions.

- In one plan, none of the funds allocated to the long-term plan can be withdrawn prior to termination.

- In another, an employee who has participated in the long-term plan for at least two years can make two types of withdrawals: (1) he can withdraw all funds in all classes except the company contributions made in the preceding twenty-four months and suspend contributions to the long-term fund (and the short-term) for one year; or (2) he may withdraw, once every two years, one-half the above amount and suspend contributions to both funds for six months.

In neither case does he forfeit company contributions retained in the long-term fund. However, he forfeits all company contributions if he withdraws his own contributions before he has participated for two years in the long-term fund; and he cannot participate in either fund for one year.

- The other two plans provide for three types of withdrawals from the long-term fund: (1) the employee can withdraw any or all of his own contributions to *matured* classes without penalty; (2) he can withdraw any or all of the company contributions to *matured* classes, but suspend contributions to the long-term fund for six months; or (3) he can withdraw all funds in all classes and forfeit company contributions made in the eighteen months (in one plan, in the twenty-four months) prior to the withdrawal. Under this procedure, he must suspend contributions for six months.

One other point should be made here about these two-fund plans. This concerns the way in which employee savings can be split between the two funds. In two of the plans a participant can put all of his savings in one or the other fund, or he may split his savings in any proportion between the two funds. The maximum employee contribution is 10% of salary per year in one plan, and in the other, 5% of salary (but no more than \$1,500 per year).

In one plan, the allowable employee savings rate depends on how he splits his savings between the two funds: (1) if he directs *all* savings to the long-term fund, he can contribute anywhere from 2% to 6% of salary; (2) if he directs *all* savings to the short-term fund, he can contribute anywhere from 2% to 4% of salary; (3) if he invests in both funds, he must save 4% to 6% of salary, because at least 2% of salary must go into each fund.

In the other plan, the first 3% of employee contributions must go into the long-term fund. If more is contributed, the excess goes into the short-term fund, with the maximum contribution to the short-term fund set at 6% of salary.

Two-fund, Nonclass Year Plans

The three other plans that have separate funds do not use the class year mechanism at all. Furthermore, each of the three is quite different.

In one plan, an employee can put all of his savings (and related company contributions) into either fund or one-half into both. A participant in the short-term program contributes for two years and then automatically receives his savings and related company contributions in cash with 2% interest.¹ He can withdraw his own savings at any time without suspending contributions, but he then forfeits all company contributions on the withdrawn savings.

Contributions made to the long-term fund are, of course, designed to be paid out at termination of employment. However, a participant who has been in the plan for twenty-four months (since his last withdrawal) can withdraw all funds to his credit, including company contributions, and suspend contributions to both funds for one year or he can withdraw one-third of all funds and suspend contributions to both funds for six months.²

In another plan, a participant can put all of his savings in the long-term fund or two-thirds in the long-term and the other third in the short-term fund. After three years' participation in the plan, all funds in the short-term plan can be withdrawn and similar withdrawals can be made at intervals of not less than two years. Similarly, after three years of participation, he may withdraw the total value of his long-term account, but he must also withdraw all short-term funds as well, and cannot participate in the plan for one year. Prior to three years' participation an employee can withdraw his contributions to both funds, but if he elects to do so, he forfeits all company contributions and cannot enter the plan for one year.

In the other plan, a participant can have all contributions (including the company's) put in the short-term fund or he can put that part of his savings over 6% in the long-term account and all or half of the company contributions. (The most he can save is 10% of salary.)

No withdrawals from the long-term fund can be made prior to termination of employment.³ Contributions to the short-term fund can be used to pay premiums for any approved form of medical and hospital insurance or to purchase company stock (on the open

¹ More precisely, funds are distributed on June 30 of each odd-numbered year.

² In these situations, company contributions are not forfeited. But if the employee does not have at least two years' participation since the last withdrawal, he must withdraw all of his own contributions. At the same time the employee forfeits all company contributions and he must suspend contributions to both the long- and the short-term fund for one year.

³ However, the balance in this account or in the short-term account or both may be accepted by the trustees as collateral for loans to participants.

market through the trustees).¹ The balance of funds can be invested by the trustee as an unsegregated trust fund. Once each year an employee may withdraw cash or stock from his account, but his balance cannot be reduced below an amount equal to all company contributions after July 1, 1946, less medical insurance allotments after that date.²

SHORT-TERM OR LONG-TERM?

In the seven plans that involve two separate funds, the participant decides at the beginning of each plan year how his savings for the coming year are to be divided between the long- and short-term funds. Information about the choices the participants normally make is available for five of these plans.³

Plan	All Savings in Short-term	All Savings in Long-term	Some Savings in Both Funds
.....	88%	6%	6%
.....	63%	34%	3%
.....	63%	29%	8%
.....	not allowed	60%	40%
.....	not allowed	59%	41%

It is obvious that in the three plans that allow an employee to put all of his savings in one or the other and or some in both, relatively few employees choose to split their savings between both funds. Furthermore, the majority of participants put all of their savings in the short-term account (although they can withdraw company contributions in the long-term fund prior to termination).

In the other two plans, the short-term account has not proved as attractive; only 40% normally put any part of their savings in the short-term fund in these two plans.⁴

The remaining twenty plans, as has already been noted, require the participant to designate either the short-term or the long-term arrangement for each separate class; the contributions to a class cannot be split between the two options. In eight of these plans an irrevocable decision must be made during the year of formation: in six plans at the beginning of the

year; in one plan, at any time during the year of formation; and in the other, at the end of the year of formation. But in the other twelve plans, this decision can be put off until close to the maturity date of a class (when the class would be distributed under the short-term option). In eight of these plans, the decision can be made any time up to the thirty days prior to the maturity of the class; in one plan, the decision cannot be made during the sixty days prior to the maturity date, and in another, during the twelve months prior to the maturity of the class. In still another plan, the decision must be made on a date six months prior to the maturity date, and in the twelfth, during the period not less than three months nor more than six months before the maturity of the class.

Because, in some plans, the option for a class can be deferred until the class has almost matured, data are not available on employee choices for six plans that were installed recently; in these plans participants have not had to make up their mind yet about the option for the first class year of the plan. The data below show the usual percentage of participants that choose the *short-term* feature for a class in ten of the fourteen plans in which employees have been required to make a decision.¹

92%	82%	24%
89%	80%	20%
85%	50%	14%
83%		

It is apparent that the first seven plans listed have had a substantially different experience than the last three. This may be because, in these plans in which a high percentage of employees choose the short-term program, company contributions to a long-term class cannot be obtained until termination of employment, except in cases of "unusual hardship." In the other three plans, company contributions in a matured long-term class are subject to withdrawal prior to termination (although such withdrawals require suspension of participation in the plan for a specified period of time).

In the same vein, the plans with relatively few employees selecting the short-term program are three of the four "variant" plans; that is, the plans in which full shares of stock bought during the year of formation by the employee are given to him at the end of the year of formation. The other plan of this type—which does *not* allow withdrawals of company contributions to a matured long-term class—reports that

¹ This stock can be withdrawn at any time if cash equal to the cost of the stock is deposited.

² The short-term account does not involve a qualified employee trust. That is, company contributions to the account are taxable income to the employee in the year in which they are made, as are any earnings on the employee or company contributions to the fund.

³ Excluded are two plans in which the selection of an option is heavily influenced by the rate of savings. For example, in one plan anyone saving more than 3% is automatically contributing to both funds at the same time. In the other plan, an employee must save more than 6% in order to contribute to the long-term fund.

⁴ One of these plans does allow a participant to put *all* savings in the short-term account; but the allowable savings rate under this option discourages the choice. Therefore, participants who choose only the short-term fund were prorated between the other two options.

¹ Data have not been obtained from the other four companies.

better than 80% of its participants select the short-term program.

EMPLOYEE SAVINGS

The percentage of his yearly salary which a participating employee may contribute to the twenty-seven combination plans is shown in Table 2. Most commonly, a participant is allowed to put 10% of his salary in the plan; one-third (nine) of the plans set this as a maximum. The other plans allow from 3% to 9%, with 5%, 6% and 8% of salary the most common maximums.¹

It will be noted that four of the plans set a dollar maximum on employee contributions, so that at relatively high salary levels the effective rate is not the stated percentage maximum, but some lower rate.

In six of the twenty-seven plans, the maximum savings rate depends on length of service.

- ▶ Four companies use this schedule:
1-5 years' service 2%-5% of salary
5-10 years' service 2%-6% of salary
10-15 years' service 2%-7% of salary
15 years' service and over 2%-8% of salary
- ▶ One company uses this variation:
1-5 years' service 2%-4% of salary
5-10 years' service 2%-6% of salary
10 years' service and over 2%-8% of salary
- ▶ The other company uses this schedule: an employee with five years' service can save 2½% of salary; this maximum increases ¼ of 1% for each additional year of service, with an upper limit of 8½%.

¹ The plans generally set a minimum savings rate at 1% (fifteen plans) or 2% (eleven plans). But seven plans set a dollar minimum, too: \$5 per month in four plans; and, in one each, \$13 per month, \$2 per month and \$2 per week.

Table 2: Employee Savings Rates, Twenty-seven Combination Plans

Savings as a Per Cent of Annual Salary	Number of Plans
1%-10%	6
1-10; max: \$2,500 per year	1
1-10; max: \$2,000 per year	1
2-10	1
1-9; max: \$1,500 per year	1
2½-8½; depends on service	1
2-8; depends on service	5
1-7½	1
1-6	1
2-6	4
2-5	1
1-5	2
1-5; max: \$1,500 per year ^a	1
1-3	1
Total	27

^a Salaried employees can contribute another 5%, but no matching company contributions are paid.

Seventeen companies provided data on the percentage of participating employees that are saving at each of the rates allowed by the plan. Although some variation exists, it is apparent that in most of these companies a substantial majority of participating employees contribute at the maximum rate allowed. For example, three companies in which savings depend on length of service reported their experience: 88%, 90% and 94% of participating employees in these plans, respectively, are saving at the maximum rate allowed by their length of service. The experience of the fourteen companies in which allowed savings are not related to service is summarized below.

Maximum Rate	% Saving at Maximum
5%.....	80% (and 5% at 4% rate) 61% (and 21% at 4% rate) 42% (and 35% at 4% rate) 35% (no other information)
6%.....	95% (no other information) 93% (and 1% at 5% rate) 88% (no other information) 82% (and 1% at 5% rate) 68% (and 3% at 5% rate)
10%.....	95% (1% at 9% rate) 89% (1% at 9% rate) 70% (3% at 9% rate) 16% (no other information) "average savings rate is 8%"

COMPANY CONTRIBUTIONS AND COSTS

In seventeen of these twenty-seven combination plans the company contributes 50 cents to the plan for each dollar that an employee saves. Three others also contribute a fixed percentage of each participant's savings, but at a lower rate: 25%, 33⅓% and 40%, respectively.¹ The other seven companies do not contribute a fixed percentage of employee savings, but vary company payments according to the service of a participant (three plans) or according to company profits (three plans) or according to service and savings rate (one plan). Even so, the minimum company contribution is 50% in four of these plans (and 40% in one and 10% in the other two).

Two of the three companies that base the company contribution exclusively on length of service use essentially the same formula, except that in one plan employees with less than five years of service do not participate. In the other plan, the service differential applies only for essentially short-service participants

¹ In this last company, the effective rate will be less than 40% for some employees. The company pays the 40% only on savings up to 5% (up to \$125 per month); however, a participant can save up to 10% of salary.

he formulas used by these three plans are as follows:

Employee Service	Company Contribution
Less than 10 years	50% of savings
10 to 20 years	75%
20 years and over	100%
1 to 2 years	10% of savings
2 to 3 years	20%
3 years and over	30%

The other company that bases its contribution on length of service also varies it according to the rate at which the employee saves.

Employee Service		
Employee Savings	Under 20 Years	20 to 30 Years
Under 5%	50% of savings	75%
5% to 10%	5% of salary (83% to 50% of savings)	7½% of salary (125% to 75% of savings)

Two of the three plans that base the company contribution in part on profits use a similar approach: there is a minimum matching rate regardless of profits, but this rate increases as profits reach specified levels. The two formulas are:

Earnings as % of Net Sales	Company Contributions
5% or less	40% of employee savings
5%-7%	50% of employee savings
Over 7%	60% of employee savings

Net Profits after Taxes as % of Net Worth	Company Contributions
Under 10%	10% of employee savings
10%	15% of employee savings
Over 10%	15% plus 5% for each 1% over 10%

The other plan uses a quite different approach. The company contributes 50 cents on the dollar as a minimum, and then adds to this if profits are a specified percentage above the average rate for the previous three years, as follows:

Increase in Profits	% of Employee Savings Added
4%-8%	10%
8-12	20
12-16	30
16-20	40
20 and over	50

Other Cost Considerations

All but one of the companies pay trustee fees and other expenses connected with the operation of the plan and trust fund, thus adding to the cost of the plan. In addition, seven of the companies pay all brokers' fees or transfer taxes involved in handling of

Table 3: Annual Per Capita Cost of Combination Plans

Plan	Total Cost	% of Total Cost for Administrative	Cost Excluding Administrative Charges	Employee Savings	
				Maximum Allowed	% Saving at Maximum
1	\$350	2%	\$343 ^F	9%	89%
2	*	*	330 ^F	10	95
3	270	7½%	250	10	70
4	*	*	235	6	93
5	237	3½%	225	10	*
6	*	*	210	8½%	88
7	219	4.9	208	10	*
8	215	5	204 ^F	6	82
9	208	3½%	201 ^F	5	61
10	*	*	188 ^F	6	88
11	175	3½%	169	10	*
12	175	5	166	5	42
13	167	8	154	8	94
14	158	4	152 ^F	5	80
15 ^a	*	*	100 ^F	7½%	95
16 ^a	97	5	92	10	16

* No information
^a Company contribution less than 50%
^F Forfeitures not used to offset future company contributions

stock used for the plan. In the other twenty plans these charges are included in the price of the stock when it is allocated to an employee's account.

For the most part, company contributions that are forfeited by a participant are credited toward future contributions, thus cutting the company's costs. In nine of the plans, however, these forfeited company contributions are credited to remaining participants.

Company Cost Experience

Sixteen companies provided an estimate of the cost of their plan, in terms of the average cost per participant per year. These estimates are shown in Table 3.

Eleven of the companies gave data on the total cost and estimated how much of this total represents "administrative" charges rather than the contributions made for matching employee savings. It will be noted that these administrative costs fall between 3½% and 5% of total cost in all but the three companies that reported 2%, 7½%, and 8%, respectively.

Five companies did not provide an estimate of administrative costs; therefore, these costs were subtracted from the estimates of the other eleven companies to provide a cost estimate exclusive of administrative charges for all plans. (See column 3 of the table).

One factor that affects the cost is, of course, the company contribution rate. All of the companies except the last two in the table contribute 50 cents on the dollar.¹ These two contribute less, which un-

¹ Three companies vary contributions by service or profits, but the odds are that the bulk of employees receive 50 cents on the dollar. However, it is possible that in plan 11, the average company contribution is somewhat less than 50 cents.

doubtedly explains why costs are appreciably lower—\$100 and \$92 per participant.

The other major determinant of the cost of the plan is, of course, the employee contribution: the maximum rate at which employees are allowed to save and the actual rate at which they do save. For the latter, as has been pointed out, determines the amount of the company contribution. These two aspects of the plans are shown in the last column of Table 3.¹ In addition, those plans in which forfeitures of company contributions are given to remaining participants rather than used to offset future company contributions are indicated in column three by an F.

It will be noted that the two plans with costs well over \$300 per participant have three things in common: (1) a high maximum savings rate (9% and 10%); (2) a high proportion of employees saving at the maximum (89% and 95%); and (3) they do not use forfeitures to reduce future company contributions. This combination of features appears to explain the relatively high cost of these two plans.

If these two plans and the two lowest-cost plans are excluded, barely \$100 separates the high-cost plan (\$250 per participant) and the low-cost plan (\$152 per participant). Because of this narrow range and the few plans involved, it is almost impossible to measure the impact of different combinations of forfeiture provisions, savings maximums, and actual savings rates.

INVESTMENT OF FUNDS

For the most part, investment of company contributions and employee savings in these twenty-seven combination plans is limited to company stock or United States government bonds.² Only five use any other investment media and all but one of these are the two-fund type of plan. In two plans, the investment media are the same for the long- and short-term options.

- In one regular class year plan, the employee can split his own contributions (in multiples of 10%) among company stock, government bonds, and a "savings" fund—a special bank deposit account maintained by the trustee bank. At least 30% must be invested in any medium chosen. (Company contributions are automatically invested in company stock.)

¹ Of course, the actual dollars the company must match will depend on the salary levels of participating employees.

² As a general rule, these government securities are Series "E" bonds. However, most plans contain the qualification "or such other United States government securities as the trustee may designate from time to time." Five plans allow an employee to choose between "E bonds" and "other" United States government securities selected by the trustee.

- In one two-fund plan, a participant can put his savings for a class year into any one of the following: (a) U.S. government securities, (b) company stock, (c) an unsegregated fund of common stocks selected by the trustees, or (d) shares in mutual funds selected by the trustees. (Under the terms of this plan, company contributions are invested in company stock.)

In the other three plans with a broader choice of investment media, long-term contributions are invested differently from the short-term funds.

- In one plan, the long-term fund is essentially a money purchase pension plan. Company and employee contributions are invested in an unsegregated fund similar to a standard pension trust. In the short-term fund, company contributions are automatically invested in company stock; employee contributions in "E" bonds.

- In another plan, all short-term contributions are invested in an unsegregated fund of the securities of the United States government and state and municipal securities. Long-term contributions (including those of the company) can be divided, at the option of the employee, between United States government securities and the company's stock.

- In the third plan, the trustees maintain an unsegregated bond fund (corporate and government) and an unsegregated common stock fund. All short-term contributions go into the bond fund. Two-thirds of long-term contributions go into the bond fund and one-third into the common stock fund.

Among the other twenty-two plans are six in which all contributions to the plan are invested solely in company stock.¹ In the other sixteen plans total contributions are split between company stock and United States government securities.

Investment of Company Contributions

Only two of these combination plans allow the employee to direct the investment of company contributions. In these two, the employee can allocate company funds to company stock or to "E" bonds. In the one plan (described above) this applies only to contributions to the long-term plan; the employee can split company contributions in any proportion he wishes. In the other plan, he can invest all company contributions in "E" bonds or in company stock but not in both.

Among the twenty-five plans in which the employee cannot control the investment of company contributions, company money is invested entirely in company stock, except for two plans. In one of

¹ The plan in which short-term contributions can be used to pay insurance premiums, etc. is treated in this section as a plan in which all contributions go into company stock.

ese, however, company contributions to the short-term fund are invested entirely in company stock.¹

Investment of Employee Contributions

In fourteen of the plans, the way in which the participant's savings are invested is predetermined; he has no choice.

- In six plans his contributions are invested entirely in company stock.
- In three plans his savings are invested entirely in "E" bonds.
- In three plans his savings are split 50-50 between company stock and "E" bonds.
- In one plan employee contributions are invested in company stock and "E" bonds in proportions determined by the rate of company contributions, which varies with profits.
- The other plan is the one in which contributions go into bond fund or common stock fund.

In the other thirteen plans, the employee has some choice in the way in which his savings are to be invested, generally a choice between company stock and United States government bonds.

- In four plans, he may invest *all* of his savings in government obligations or 50-50 in governments and company stock.
- In one plan, he may invest *all* in "E" bonds or split his savings between "E" bonds and company stock, but no more than 50% can be invested in company stock.²
- In two plans, he may invest *all* of his savings in company stock or 50-50 in government obligations and company stock.
- In still another plan, he may invest *all* of his savings in company stock or *all* in "E" bonds.
- In three plans, the employee can split his savings between company stock and "E" bonds. In one case, not less than 10% can be invested in any option chosen; in the other two plans, savings can be split in any proportion.³
- The other two plans in which an employee has a voice in investing his own savings were described at the beginning of this section: the plan in which he may invest *all* of his savings in any one of four media and the plan in which "savings account" is a choice.

Of course, these thirteen plans in which the employee has some investment choice allow him to change his mind from time to time. In nine, the investment pattern can be changed only at the beginning of each new class. Two other plans allow changes

¹ The long-term fund is a pension fund. The other plan is the one in which all contributions go into a bond fund or common stock fund.

² In this plan he also controls company contributions: all can be invested in "E" bonds or all in company stock.

³ This option applies only to the long-term fund in one plan and company contributions, as well.

at the beginning of each class year and, in addition, once during the class year. Another plan allows a change in the investment decision after it has been in effect for three months. The thirteenth allows changes from "time to time."

Employee Investment Choices

Information about the investment choices made by employees was obtained for nine of the thirteen plans that permit a choice. The percentage of participants under each of the allowed options is shown below; the asterisked percentages indicate that funds must be split 50-50 between government bonds and company stock.

Plan	All in Company Stock	All in "E" Bonds	Some in Both
1	98%	not allowed	2%*
2	90	10	not allowed
3	90	9	1
4	80	17	2
5	63	26	11
6	15	not allowed	85*
7	not allowed	18	82*
8	not allowed	25	75*
9	not allowed	77	23*

It is apparent that, with the notable exception of plans 6 and 9, a sizable majority of employees choose the program which allows them to maximize the amount of their savings invested in company stock.

VOTING COMPANY STOCK

Except for one plan, company stock is involved as an investment medium in all these plans. In one, company stock in the trust fund is not voted, either by the trustee or the employees. But in the other twenty-five plans, provision is made for voting full shares in the trust fund, either at the trustee's discretion or at the employee's instruction.

In six, the employee cannot vote company stock held by the trustees. Instead, the trustee can vote company stock "at his discretion."

In the other nineteen plans the employee can vote some or all of the full shares of company stock held in his account, by instructions to the trustee.

- In nine plans, the employee can vote *all* full shares in his account even though the company-purchased shares may not be vested in him.

- In the other ten plans, the employee can vote only the full shares purchased with his *own* savings and those shares purchased by company contributions which have been vested in him.¹

¹ For the most part this means full shares in classes that have "matured" and have been allowed to remain in the plan under the long-term option. However, some plans vest company contributions prior to the maturity of a class.

In five of these plans, if an employee does not instruct the trustee on how to vote shares, the trustee is not allowed to vote them at all. In the other fourteen plans, the trustee can vote the shares at his discretion in the absence of instructions from the participant.

DISTRIBUTIONS AT TERMINATION

As already indicated, in the twenty-four plans that use the class year as the basic mechanism of the plan, the funds in a class year are vested in the employee when the class matures. If the employee assigns this matured class to the long-term option, he will receive all funds in that class at termination of employment, whatever the reason for termination.

However, his rights to company contributions in a class that has not matured at the time of termination generally depend on the reason for termination. (Under any circumstances, of course, the employee receives his own contributions when he terminates his employment.)¹

Thus, if a participant's termination is due to death or retirement, he (or his beneficiary) receives all funds credited to his account, including company contributions, except in one plan.²

Similarly, except for three plans, all credited contributions are given to a participant who becomes totally and permanently disabled.³

Eight of the plans give all company contributions in an unmatured class to a participant who terminates employment because of a disability that is not both total and permanent.⁴ At the other extreme, no company contributions would be available under these circumstances in eleven plans. In the remaining five plans, the amount of the company contributions in each class year that the participant receives depends on the vesting provisions for unmatured classes.

In thirteen of the twenty-four plans, an employee laid off because of lack of work receives all funds credited to his account, including the company con-

tributions in unmatured classes.¹ In six plans, the participant receives only his own contributions. In one plan he forfeits only the prior two years of company contributions; in the other four he receives his vesting rights in each unmatured class.

In half of the plans, if an employee is dismissed by the company for any other reason than those already discussed, or if he voluntarily quits, he receives only his own contributions in each unmatured class. On the other hand, in five plans he would receive all company contributions unless dismissed for cause. In two other plans, he would forfeit only those company contributions made in the last two years and the last eighteen months, respectively. The other five plans are those with vesting provisions for unmatured classes.

HARLAND FOX

Division of Personnel Administration

¹ In one plan this applies only if a plant is closed down permanently. In another, it applies only if the participant has been in the plan at least two years at the time he is terminated.

² In one case this applies only to employees with at least two years in the plan at dismissal.

Management Bookshelf

Trade Unions and the Government—This volume analyzes the development of the current relationship between labor unions and the government in Britain. Included in the volume are sections entitled: the Development of the Constitutional Relationship, the Government as an Employer, the Government and Strikes, and Trade Unions and Labour Governments. By V. L. Allen, *Longmans Green and Co., Inc., 119 West 40th Street, New York 18, New York, 1960, 326 pp., \$8.25.*

Staff in Organization—Two long-time toilers in the field of industrial organization here apply themselves to a major corporate problem: How can unity of policy and direction be achieved in large, highly diversified corporations without subjecting chief executives to killing workloads and pressures?

As a "possible way out" the authors suggest the general staff man or "assistant-to." The authors admit that with such men are already widely used they are most often used improperly.

In showing the proper time, place and utilization of general staff assistants, the authors examine staff as it exists in modern business, as it exists in the theory and practice of military organizations, and as it has been used by United States presidents in organizing the presidential office. By Ernest Dale and Lyndall F. Urwin, *McGraw-Hill Book Company, 327 W. 41st St., New York 36, New York 1960, 250 pp., \$6.*

¹ In two of the three nonclass-year plans, a participant receives all funds in his account (including those of the company) if he terminates employment for any reason. In the other plan, this is true if the employee has been a participant for at least three years at the time of termination; if he has less than three years' participation, he forfeits all company contributions unless termination is due to death, retirement, total and permanent disability or reduction of the work force.

² In this plan, he forfeits company contributions if he was not a participant for at least two years prior to termination.

³ In two plans, he forfeits all company contributions unless he has been in the plan at least two years prior to termination. In the other plan, he loses 20% to 80% of company contributions to each class, depending on how long the class has been in existence.

⁴ In two plans, this applies only to participants in the plan for at least two years at termination; otherwise all company contributions would be forfeited.

The New Employee

Companies almost always need new employees to replace those who retire, die or leave for some other reason. New employees are also sought by companies that are growing. So, it is a rare thing when a company is not interested in talking with able persons about possible employment opportunities.

How can outstanding individuals be attracted to a company? What approaches and techniques are most useful in screening job applicants? Which activities have been found most effective in orienting the new employee to his job and helping him adjust to his new situation?

These and other questions were discussed at the 412th meeting of The National Industrial Conference

Board recently held at the Shamrock Hilton Hotel in Houston, Texas.

Participants were:

- ▶ W. Rowland Allen, personnel director, L. S. Ayres & Company
- ▶ Clifford E. Jurgensen, assistant vice-president, personnel, Minneapolis Gas Company
- ▶ James S. Bruce, director of training, Eastman Kodak Company

W. W. Overton, Jr., vice-chairman, National Industrial Conference Board, and president, W. W. Overton & Co., chaired the meeting.

Mr. Overton: Automation is making progress, but we still need people in our companies. Indeed, the future of our organizations depends in large part on our employees, on the work they perform and on the ways they contribute to improve operations.

People are our greatest assets. We all can buy the same materials and equipment. It's *people* that make the difference!

We know that it costs \$200 to \$600 to attract, select, and train a new clerk. This clerk will cost us at least \$18,000 over the first five years. How much time could you give to the purchase of an \$18,000 machine with a five-year lifetime and no turn-in allowance? How much time do you give as much time and thought to choosing clerks?

The subject we are discussing is one of the utmost importance. I'm sure all of us will benefit from the thoughts our speakers will bring us.

W. ROWLAND ALLEN

Attracting the Best Applicants

Our recruiting appeal to young people today is largely in terms of how much money we are going to pay them, of the benefits we are going to offer them, and of how easy their jobs will be. I am wondering if this is the right appeal.

Recently we witnessed a sudden explosion in this

country, touched off by the President's announcement of a Peace Corps. Tens of thousands of our best youth have responded to the challenge. Nothing was said about high wages, easy work, or rapid promotions. Rather, attention was focused on the exacting standards that would be required of all volunteers, the importance of the work, the difficulties that would be encountered, and the opportunities to be of service to others. It seems to me there is a lesson here for all of us. Personally, I'm convinced there are plenty of fine young people around wanting the chance to do real jobs in our companies.

How can we attract the best of these young people to our companies? There is no easy answer to this question, and it is not something that can be done overnight.

We will attract the best only when our company becomes known as a good place to work. Attaining such a reputation—such a company image—is not only worth working for, it is something to cherish beyond price.

We are entering a value society. The individual wants to be valued and he wants to work for someone who understands values. People are attracted by a symbol from the very top.

What does your company stand for? Are you willing to pay the price to reach your goals? That is what thrills people. That is what brings them to your doors.

Under such conditions they *want* to be associated with you. In the long run, nothing short of this will bring you the best people.

► CLIFFORD E. JURGENSEN

Selecting the Best from the Best

Most personnel people operate on rule-of-thumb methods based on superstition, folk-lore, prejudices and biases. The tragedy is not only that this results in costly and ineffective operation, as well as gross unfairness to numerous individuals, but that it is so unnecessary and could be remedied so easily.

Those who are authorities in the field of employment do not substitute one set of prejudices for another, nor do they operate on a hit-or-miss basis. They function on the basis of systematic analyses and critical evaluations. They are research men who have the ability to find, and the willingness to follow, facts.

It is not my purpose to give you a cookbook with which you can go back to your companies and immediately start doing complicated employment research. Nor is it my purpose to emphasize evidence showing that employment research can be highly effective. Rather, my major purpose is to instill a concept; namely, that research is not only desirable but that it is imperative, if you are to have a good employment department.

Although employment research can be, and sometimes is, exceedingly complex, the simple fact is that most employment departments are working on a level so primitive that even the most elementary research procedures can be highly effective. Significant improvement in the effectiveness of employment procedures can be obtained by persons who have an average amount of common sense, a basic understanding of how to conduct research, and a strong desire to operate on the basis of facts rather than opinions.

The answers to many of your employment problems are already in the files of your company. Only a few hours of clerical time would be necessary to get facts to replace opinions and prejudices. Let me cite a simple illustration.

Should you have minimum ages for specific jobs and, if so, what should they be? On one of our beginning jobs, we found that applicants aged twenty-four or more had sixty chances out of one hundred of becoming good employees, whereas applicants under age twenty-four had only fifteen chances in one hundred of being successful. This success ratio of four to one can, in and of itself, save the company thou-

sands of dollars. Used in conjunction with other factors the improvement in hiring is even greater.

With a group of female office workers, however, we found that applicants between ages twenty-four and twenty-seven inclusive had only half as much chance of being successful as girls age twenty-three or less, age twenty-eight and over. Other jobs require different age levels; and on some jobs, age apparently makes no significant difference.

Research of a more complicated character can also be conducted. For example: What is the relative effectiveness in your situation of a structured interview, nondirective interview, depth interview, stress interview, or informal interview? Is a particular aptitude test or test battery worth using? What is the best way to obtain references on job applicants: telephone personal visit, letter, or questionnaire form? These research studies have one thing in common. All require setting up an experimental design involving comparison of various techniques, collection of data, and analysis and evaluation of results.

In summary, there *is* a magic wand that will enable you to select the best employee from the best available job applicants. It consists of applying tried and proved research principles to the area of employment. Company officers and board members must stop being satisfied with the mediocre employment work being done in most companies. They must insist on a high-level employment man who is both able and willing to find facts that can replace opinions. An employment man should be permitted and expected to function in the same manner as other research workers. Research findings must be followed even if they contradict favorite and deep-seated opinions and biases.

► JAMES S. BRUCE

Orienting New People in Your Company

Our goal in orienting new people is to make them contributing members of our organization. Often the most lasting impression comes from their experience during their first twenty-four hours on the job.

Let's look at the first twenty-four hours from the point of view of the new employee. Three things deserve mention.

First, the individual who comes into a new situation is uneasy. This is true of any of us. Reports state that both Mr. Kennedy and Mr. Nixon, two of the most capable, level-headed, self-assured, poised men in the country, were very nervous before the first d-

ate in Chicago last September. This was a new situation for them, and any individual in a new situation is likely to be uneasy.

Second, the new employee is eager to learn.

Third, he wants to succeed. A stock clerk in one of our Rochester plants came to me at the end of his first day and said: "I want to hurry up and stop making mistakes so I can do the job well." Didn't he express that thought wonderfully well!

We mention that a new person is uneasy—when are they at ease? When another individual takes an interest in them, especially if this other individual can do something to help, then the sense of uneasiness vaporates. The boss or someone he designates should be prepared to spend time helping the new employee—it may well be *his* most important appointment of the day and it certainly is the new employee's most important appointment in the first twenty-four hours.

Now what are we going to teach the new worker? Certainly, he will want to know how his job contributes to the department's operation. Frankly, it is our experience that this is something only his boss can tell him. It is not as good for somebody in the training department or personnel function to tell him this, because even though it is the right information, the wrong person is telling him. Sort of like Jane telling you that Mary loves you. What you really want to hear is the same information from Mary herself.

Many companies use a check list as a memory jogger to make sure that the new employee learns all the things he needs to know to do his job well. If you use such a list, may I suggest that you make another list of the things he already knows. Then, balance the two. The new worker is eager to learn, yes, but he's not so eager to be instructed in things he already knows.

There is a tendency to try to cram too much into the first twenty-four hours. There are some things that the new employee needs to know promptly, of course, but not nearly as many things as some companies assume. The timing of your presentation of different items of information is important. Feed the information when there is a need and a desire for it, but avoid overfeeding.

I like the story they tell about the publisher of books for children. He had been publishing such books for years and had been reasonably successful. One day a member of his board of directors observed: "We publish books for children, but all our reviews come from adults. Why don't we ask a child to criticize the next book we publish?" The next book happened to be on the subject of penguins. The staff

regarded it highly, and submitted it with confidence to a young lady of eight. Back came her review the following day: "This is a book about penguins. It tells me more about penguins than I want to know."

Finally, I think it is important to give the new employee an assignment within the range of his ability that can be *successfully completed* with effort. This should be done early in the game. People want and need a sense of success on the job. This comes not only from the completed performance of a challenging assignment, but also from the boss' recognition of the successful completion.

If all of these things are done then you are well on the way to making the new employee a contributing member of your organization.

Management Bookshelf

Britain's Search for Health—The First Decade of the National Health Service—A good part of four years was spent by the author, a professor of economics at the University of Pennsylvania, on this lively little book, including a seven month on-the-spot survey. The chapter titles give a good idea of the ground covered. These are: (1) The Shaping of the Health Program; (2) British Doctors at Work; (3) Three Stubborn Health Service Problems; (4) Paying for the National Health Service; (5) The Patients' Likes and Dislikes; (6) The Doctors' Likes and Dislikes; and (7) Further British Appraisals of the NHS. *By Paul F. Gemmill, University of Pennsylvania Press, Philadelphia, Pennsylvania, 1960, 171 pp., \$5.*

Employee Communications in Action—This is a book into which industrial editors can dip for ideas—how, for instance, to explain the wage structure to employees, how to communicate information on employee benefits, on automation and union negotiations. There is detailed description of how it has been done by specific companies. A few chapters discuss particular communications media, such as annual reports to employees, open house programs and recruitment manuals. The emphasis here, too, is on "how to do it." *By Robert Newcomb and Marg Sammons, Harper & Brothers, 49 East 33rd Street, New York, New York, 1961, 337 pp., \$5.75.*

Management's Talent Search: Recruiting Professional Personnel—An analysis of experience with formalized recruitment programs for professional personnel. The major emphasis is on practical problems involved in college recruiting, including the planning and staffing necessary for a recruiting program. Special chapters are devoted to starting salary policy under such a program and to recruiting by small employers. *By P. W. Maloney, American Management Association, New York, New York, 1961, 160 pp., \$4.50.*

Individual vs. General Salary Increases

Finding problems in extending general wage raises to salaried people, some firms now use a salary budget to prevent pay inequities

WHAT SHOULD be done for salaried employees when wage earners are granted a general wage increase? This question has bothered management for many years. For most companies, however, the full impact of the problem was not felt until after World War II.

Since the end of the war many companies have found a workable solution. Generally, this solution did not come out of a textbook, but instead emerged from protracted and sometimes painful experience. It might, therefore, be worthwhile to review briefly some of the early trials and errors.

EXPERIENCES IN LATE FORTIES

It will be recalled that in the years 1946, 1947, and 1948 the so-called "pattern" adjustments emerged. In this period wage increases of 18½ cents, 15 cents, 13 cents and 11 cents were widespread. These substantial changes in the hourly wage structure caused companies to consider carefully what action might best be taken for their salaried personnel. Various approaches were tried.

The most common "solution" in those early days was to grant a similar increase to salaried employees. While a few of these increases were extended to the top level of salaried employees, including the officers, most companies used a salary cutoff, above which the general increase did not apply. Even so, some knotty problems arose.

Establishing the cutoff point was troublesome. If the cutoff were too high, there was criticism that those toward the upper end of the salary structure were getting a windfall to which they were not entitled. Also, there were times when the general increase was extended to some of those who had a voice in determining the amount of increase granted to wage earners, which placed them in the uneasy position of having determined their own raise.

On the other hand, when the cutoff point was too low there was a relatively large number of employees whose salaries hovered around the cutoff level. Those employees whose salaries were just above the cutoff

had a tendency to feel that they were victims of discrimination. To counter this, companies gave individual consideration to those just above the cutoff in order to correct any serious inequities which might otherwise have arisen. But when the cutoff was low, the number of salaried employees requiring individual consideration was so large it was difficult for the companies to complete their review and to make needed adjustments in time to head off dissatisfaction.

Other "solutions" were tried. For example, some companies extended the general increase to all nonmanagerial employees. Complications nevertheless arose. In some situations it was difficult to distinguish clearly between nonmanagerial and managerial. While some salaried employees were pleased to receive the general increase, they were affronted to learn that they were not considered a part of management—a reaction which caused some companies considerable alarm. Others who didn't get the increase sometimes wondered why they had so suddenly been identified with the management group, and suspected the company's motives.

Also, companies that tried to restrict general increases to nonmanagerial employees often found themselves unable to be wholly consistent, particularly at the level of the first-line supervisor. To these firms, preserving a proper relationship between the earnings of the supervisor and those he supervises is vital. And yet how could this be accomplished when the wage earners were granted an increase and the supervisor was not? The solution seemed to be to grant a similar increase to the first-line supervisor, and, at times, this was disguised unsuccessfully as an individual adjustment. Once the pay of the supervisor was adjusted, however, there were further repercussions up the line because long-established pay relationships had been disturbed.

Another approach was to extend the general increase to all salaried employees, except those who were exempt under the federal wage-hour law as executive, administrative or professional employees. However, similar problems arose because there is

en a fine and debatable line between exempt and nonexempt. For example, one large company had rated all of its tool designers as nonexempt, even though some of them could have qualified as exempt. In the same building, however, there were engineers, of whom were exempt. When the tool designers were included in the general increase and the engineers were not, the repercussions were so severe the company found it expedient to include the engineers. And once this was done additional problems promptly emerged.

Still another approach tried during this period was, in effect, to extend the general increase to all salaried employees, but to handle each on an individual basis. Managers would review the performance of each salaried employee and then grant the increase, unless there was some reason for denying it: for example, on the grounds that the employee is already overpaid. In actual practice, few denials were made. And since the increases usually became effective at the same time, this method, despite the individual treatment, was still a thinly disguised general increase.

Occasionally, companies also tried to individualize the general increase by prorating it among the various company units (such as plants, departments or divisions), but letting each unit allocate that sum in whatever way it desired. Under this plan, some salaried employees might get substantial increases, others small increases, and a few none at all. Success with this approach varied, depending primarily upon the wisdom and skill with which it was administered.

OBJECTIONS TO GENERAL INCREASES

Aside from the administrative difficulties, some executives who have coped with the problem see a number of fundamental objections to the extension of general increases to salaried personnel, particularly those closely allied to management. First, they believe that this procedure will ultimately lead to mediocrity and lower morale. They concede that if the wage earner receives increases, and management people don't, morale will likewise suffer; but they believe that in the long run morale would be damaged the most if salaried personnel are convinced their pay depends upon the success of wage earners, or their unions, in securing pay increases, rather than on their own individual performance. These companies claim that salaries can be maintained at proper levels without general salary increases, and, furthermore, that salaried employees can be convinced they are being compensated on the basis of their individual contribution. They point to their own experience as evi-

dence that this objective can be accomplished.

Others with a similar viewpoint believe that general increases eventually undermine a merit program which is intended to stimulate individual effort. The distinction between a merit increase and an economic increase, argues this group, is likely to be confused, particularly if the company tries to masquerade a general increase as a merit increase. This confusion also results when companies hold up merit increases for a period both before and after the effective date of a general increase. When an employee learns that he cannot be considered for a merit increase because he has just received a general increase, he may have questions in his mind for which he can find no logical answers.

It is also pointed out that a general increase to wage earners is often tied in with other changes or considerations that do not apply to salaried employees. For example, wage earners may be granted an additional week of paid vacation after a specified period of service. If salaried employees already enjoy this extra week of vacation, should their general increase be adjusted upward in lieu of the extra week, which they already have? If not, should the salaried employees be given still another week of vacation to maintain the prior relationship?

Or the wage earner may be granted paid wash-up time or a lunch period. Here again, should this be reflected in the salary increase? Or it could be the other way around: the wage earner, to help offset an increase in pay, agrees to give up a practice that was costly to the company. In this case, should the general increase to salaried employees be less? Is it not true, these people ask, that salary levels and wage levels should be based on different combinations of factors?

USE OF THE SALARY BUDGET

THE CONFERENCE BOARD recently analyzed the practices of thirty-five companies with respect to the budgeting of salary increases. The Board's findings were reported in the March, 1961 issue of *Management Record*. During the course of the study, information was also obtained on the practice of extending general wage increases to salaried personnel.

All of the companies included in the study have well-defined procedures for the handling of general or economic adjustments. Some grant general salary increases to prescribed groups of salaried personnel, such as those in nonmanagerial capacities, or those below a designated salary cutoff. These companies gave no indication that they intended to go any fur-

ther in the direction of eliminating general increases than they have already gone. For years they have been granting general increases to at least a portion of their salaried personnel, are satisfied with the results, and see no reason to change. They believe that general increases provide the easiest way to maintain certain relationships and say that if the right procedures are established, there is no reason why salaried employees still can't be given individual treatment and be properly rewarded for their accomplishments.

The majority of the companies, however, have developed procedures to eliminate substantially the granting of general increases to salaried employees. And among these companies, the most common method of maintaining desired salary levels is the use of the salary budget. For example, a company may establish a merit increase budget of say 3% and, in addition, may decide to budget another 4% as an "economic" adjustment. This "economic" adjustment may match any change or anticipated change in the wage level, or may be determined by factors other than wage changes.

Applying this example, where salary grades have been established, the minimum, maximum and mid-points of the ranges would be lifted by the amount of the "economic" adjustment (4%), while the total

amount budgeted would also include an amount for "merit" (3%, bringing the total budget to 7%).

Within each budget group, then, would be available a sum of money for salary increases, part of which would be "merit," the other part "economic." Although individuals would receive varying amounts during the budget period, based on performance, the net effect is to lift the entire salary structure. Other salary controls are used to assure that individual salary increases are granted in accordance with over-all company practice.

Those who have adopted this procedure are quick to point out that it is not as simple as might first appear. The key, they say, is communications: first getting management itself to understand fully the objectives of the program, and how it is to be carried out; and, second, getting the salaried employees to understand precisely how the company will administer the salary program to assure equity, plus individual recognition for performance.

Salaried employees are usually told in forthright terms that, in the future, there will be no more general increases, that economic changes will be reflected in salary ranges, but that individual salary increases will be based solely on performance.

GEORGE W. TORRENCE

Division of Personnel Administration

Management Bookshelf

Engineering Professionalism in Industry—This study was made by an outside survey firm for the Professional Engineers Conference Board for Industry, in cooperation with the National Society of Professional Engineers. Information was collected through 295 interviews with engineers in industry and through fifty-five interviews with managers (vice-presidents for production, production managers, chief engineers, directors of industrial relations, and others "who deal directly with, or set policies for, the engineers in the companies represented"). Purposes of the research were to assess the present status of engineering professionalism in industry and to consider how it might be improved.

It was found that engineers and managers saw eye to eye on some matters, but they were miles apart on others. They agreed, for example, that professionalism would be advanced as engineers developed communications skills, sought further education, learned more about the larger objectives of the projects they worked on, etc. The two groups agreed closely, too, on the things companies could do to build engineering professionalism. But the managers said the engineers were not doing the things required to

build their own professionalism. In turn, the engineers complained that managers are not doing such things to advance engineering professionalism as the following: advancing salaries to reflect the true contributions that engineers make to the success of their organizations, giving engineers varied and challenging work to do, and offering engineers adequate supporting personnel. Neither the managers nor the engineers felt the criticisms of the opposite group were valid. *By Professional Engineers Conference Board for Industry, 2029 K Street, N.W., Washington 6, D.C., 1961, 104 pp., \$4 (paper).*

Working Class Suburb—This study, drawn from interviews with one hundred families who had moved from an urban to a suburban location when the Ford Motor Company relocated its plant, tests the reaction of these families to a new environment.

Included in "Working Class Suburb" are chapters on mobility, political affiliation, religion, leisure, and class consciousness. *By Bennett M. Berger, University of California Press, Berkeley and Los Angeles, California, 1960, 143 pp., \$3.50.*

Rules and Discipline

Modern management attempts to encourage voluntary compliance with company rules. When this fails, what steps are taken to discipline the employee?

HERE IS an old saying that "man works from sun to sun, but woman's work is never done." Probably the maxim—at least the part concerning men—had much more truth in it in 1830 when rule number one of Amasa Whitney's factory provided that "the mill will be put into operation ten minutes before sunrise in all seasons of the year. The gate will be shut at fifteen minutes past sunset from March 20 to September 20, at thirty minutes past eight from September 20 to March 20 and all Saturdays at sunset." Coffee breaks were unknown, but rule fifteen provided that twenty-five minutes will be allowed for breakfast, thirty minutes for dinner, twenty-five minutes for supper, and that is all till the gate is opened again." Forty years later, a bell rang in an office where fourteen clerks worked at their tables, facing a bearded overseer. They all looked up at the sound of the bell as it was the overseer's way of getting their attention. Wordlessly but grimly, he pointed a pen at the newest member of the group. The man arose, walked apologetically to the overseer's desk, and stood respectfully at attention.

"Mr. Jones," rasped the boss while seventeen pairs of eyes strained from heads bent down toward their work. "Mr. Jones, it has come to my attention that you were absent from Bible study class last Sunday. You know that our company has a rule that an employee must attend every Sunday School session. Our president has a right to expect each man to fulfil his Christian obligations. Your integrity and dependability are questioned whenever you fail to do your duty." In the same period, employees might have been subjected to any of the following rules:

"Men employees are given one evening a week for visiting and two if they go to prayer meeting."

"After fourteen hours of work in the store, leisure hours should be spent mostly in reading."

"Fellow workers should be addressed as Mr., Mrs., or Miss; never by their first names."

As might be gathered from the above examples, in the past, rules and regulations in business organiza-

tions were often harsh, inflexible, and arbitrary. Although it may always be necessary to establish and enforce some regulations whenever people band together, many of these old rules appeared to have been established to suit the whims and prejudices of the boss.

The Modern Approach

For some time now there has been evidence that modern management is attempting to make rules and discipline more reasonable, understandable, and considerate. This attitude seems to be an effort to encourage self-discipline and voluntary compliance with rules and regulations. When punishment seems called for, the case is studied carefully with full consideration of extenuating circumstances so that the punishment may fit the "crime" and the offender corrected and returned to usefulness. The present emphasis on the corrective or training aspect of discipline is widespread.

A study of company handbooks shows that management is attempting to encourage voluntary compliance with rules and regulations in several ways. For instance, more and more companies are preparing handbooks without a specific section devoted to rules and regulations as such, whereas handbooks some years ago were usually rule books and nothing else. In today's handbook information about proper conduct is expressed naturally and positively under various subject headings. For example, one does not find a prohibition such as: "the use of company phones for personal business is not permitted." Instead, there is a section headed "Personal Telephone Calls" which describes the circumstances under which personal calls can be made and the reasons why company phones may not normally be used.

This example suggests a second way in which managements attempt to encourage voluntary compliance. They take the time and trouble to explain the reasons why a rule or restriction is necessary. The employee can then appreciate the value of the rule in terms of his own safety or convenience or the efficiency of the operation. He knows that he is not merely being

forced to conform to the prejudices of a capricious manager.

Another effort to achieve employee understanding and self-discipline is management's frank and open exposition of its own attitude toward rules. Managements now admit that rules are not popular and that nobody really likes them. Rules are necessary, it is pointed out, but they are to be held to a minimum. This quote from the handbook of a large corporation represents the kind of statement that is often made:

"The policy of the company is to place no restrictions on the personal conduct of its employees except where necessary to insure proper operation of the business, to maintain safe working conditions, and to establish adequate safeguards for the company's property and processes."

When Discipline Is Called For

Granted that these efforts to encourage voluntary compliance are, in general, effective, there are still times when rules are violated. What is to be the attitude of the foreman or supervisor when this occurs? The following quotations from supervisory manuals typify current management attitudes:

► "Discipline is a basic fundamental which enables employees to work together. It is required for the protection of the majority against the actions of a few who do not conform to recognized standards of social conduct. . . . [A system of discipline should] be based on the principle that discipline is corrective, not punitive."

► "Discipline is a means of maintaining good order and conduct in any group of people. There are two kinds. One attempts to correct people who go astray, to build and improve them. The other is negative. It involves punishment, force and fear, and is the least constructive."

► "We dismiss employees only as a last resort."

► "It is the policy of the company to insist that high standards of on-the-job and job-related personal conduct be consistently respected. It is the intent of this policy to include respect and consideration for associates, gracious behavior, observation of the niceties of social and business relationships as well as observation of the rules and customs of the company."

► "The main reason for the use of such a form (warning notice) is to help correct some deficiency and discourage the recurrence of objectionable behavior. A rigid rule such as 'three forms on an employee will result in discharge' is not good practice. It is inequitable because offenses differ in severity. Also,

it makes the form a negative and threatening device instead of a constructive and helpful tool."

Thus it is noted that in the administration of discipline the employee is innocent until proven guilty; the supervisor is to be considerate of the employee even though he may be known to have committed violation; management's purpose is to train the employee properly, to correct his deficiencies, and to rehabilitate him; and censure and penalties are to be used only as a last resort.

The Supervisor's Role

Responsibility for the enforcement of discipline rests, in all cases, squarely on the shoulders of the offender's immediate supervisor. Before he acts, however, the supervisor is expected to get all the facts. It is suggested that he be in a position to answer such questions as the following:

1. Did the offender know the rules? Had he been warned and given a chance to improve? If so, when and under what circumstances?
2. Did he violate a rule willfully?
3. How important or serious is this violation?
4. Is this employee a chronic violator or is this a rare instance?
5. What extenuating circumstances contributed to the situation? Have you all the facts?
6. What is the attitude of the offender? Does he recognize his error?
7. What precedents are there in handling similar circumstances?

Armed with the facts, the supervisor has a choice of four general courses of action. He may reprimand the offender orally; he may issue a formal written warning; he may suspend the employee; or he may discharge him. These actions are listed in ascending order of severity. Ordinarily, the supervisor starts with oral warnings and increases the severity of his action until the offender corrects his behavior or until a decision is reached to separate him from the payroll.

It is not common practice for a company to issue a mandatory schedule of penalties which are to be applied for each violation. When an offense is repeated, the immediate supervisor judges how severe the penalty should be. He takes action or checks with higher levels based on his assessment of all the facts in the case. If, in his opinion, corrective action will result from an additional warning this is the only action he takes. Most procedures provide that the supervisor use his own judgment to determine whether an oral or a written warning is to be applied.

he feels that suspension or discharge is called for, the supervisor is generally required to check with a higher level of management and often the personnel department as well.

Oral and Written Warnings

Except for a few extremely serious acts for which immediate discharge is necessary, the oral warning is the first step taken with a first offender. This is an informal effort to correct and improve the employee so that he will adjust his behavior to meet the needs of the organization. The warning is given in private and there is no written record of such action. When the offense is repeated, the supervisor decides whether another oral warning will correct the situation or whether, under the circumstances, a more severe reprimand is necessary.

Written warnings are more severe than oral ones because they are made a part of the offender's official record. In some cases, a written warning is mandatory after the second or third offense of the same nature. Usually, however, it is the responsibility of the supervisor to decide when or how often this particular penalty needs to be applied.

If he decides to issue a written warning the supervisor prepares a printed form on which he records the date, place, and circumstance of the violation as well as the advice and warning that were previously given to the employee. The employee may receive a copy of this record and copies may be forwarded to a union representative, to the employee's department head, and to the personnel office.

Suspension and Discharge

When the written warning has not led the offender to correct his behavior, and where it appears in the judgment of the supervisor that a more severe jolt may bring him to his senses, the supervisor may recommend suspension without pay (usual suspension periods range from two days to one week). Here again the supervisor makes a detailed written record of the case but he may not suspend the employee without consultation with and approval by a higher level.

Suspension may also be used as a temporary measure while a study of the case is being made.

Discharge is the most severe penalty and is usually a last resort when management concludes that there is no longer any reasonable hope that the offender can or will change his behavior.

In most companies, however, there are certain special intolerable acts for which the offender *may* be summarily discharged. Even so, discharge is not mandatory, but it is permissible as a first penalty.

These acts, as described in supervisory manuals, read as follows:

1. Punching another's time card
2. Fraud
3. Dishonesty—stealing
4. Pronounced disloyalty
5. Insubordination
6. Conduct detrimental to the company
7. Tampering with cash registers
8. Fighting
9. Intoxication or use of intoxicants
10. Use of drugs
11. Criminal action against society
12. Violation of fire regulations
13. Assaulting another with intent to injure
14. Cursing, threatening, or striking a supervisor
15. Organized gambling
16. Immoral acts
17. Destruction—marring, or defacing company property
18. Disclosure of confidential information to unauthorized persons
19. Smoking or carrying lighted smoking materials in restricted areas

Again, as with a written warning or suspension, the supervisor prepares a detailed record of the case. But the action may not be taken by the supervisor—except in the extreme cases just mentioned—unless higher management and the personnel department know and approve the action.

Personnel enters the picture not only because of the possibility of saving an employee by transfer to another part of the organization but also because a union may be involved. Written records of disciplinary action are particularly important when a union is involved since all such action will be carefully scrutinized and can become the basis for a grievance.

There are other reasons for bringing higher supervision and personnel into these more serious discipline cases, although such action may appear to some to be an unwarranted curtailment of the authority of the immediate supervisor or foreman. One reason may be a consciously recognized effort on the part of management to prevent capricious or ill-considered action by supervision. Higher echelons may want to make sure that the supervisor has carefully considered all aspects of the case before a decision is made. Another purpose is to achieve a certain uniformity of treatment throughout the entire organization. In other words, these checks and balances on the supervisor's authority and action help to assure each employee that he will receive fair and considerate treatment.

GEORGE V. MOSER

Division of Personnel Administration

Putting a Price Tag on Fringes

EVERY EMPLOYEE at the United States Rubber Company is given an annual report on the scope and size of the fringe benefit program. The method used for the reporting is varied from year to year. In 1959, the report consisted of a series of six checks which were enclosed with the employee's paycheck. Each of the first checks described the make-up and cost of a particular group of benefits. For example, one check covered just the hospital and medical benefits, another just the time-off-with-pay benefits. The sixth one summarized the information of the five checks that preceded it and totaled the average annual cost per employee of the entire fringe benefit program.¹

In 1960, the report was presented in the form of a receipted invoice that was sent to the employees at their homes. All the benefits paid for by the company were itemized on this invoice, together with the average annual cost per employee of each benefit. The total cost to the company appeared at the bottom.

This year, the report features a standard price tag, with string attached, as illustrated on this page. The item described on the face of the price tag is the company's benefit package. Even though its price (per employee) has twice been marked up, it is stamped "Sold to the United States Rubber Co. for Employees."

On its reverse side, the price tag explains how 1960's annual average price of \$1,586.30 per employee was reached. All of the benefits in the fringe package are classified in groups, and the total price per employee for each group is entered in the right hand margin. The grand total of the margin entries is then shown as adding up to the \$1,586.30 figure.

All employees received the price tag at their homes. It arrived with an accompanying letter. The letter sent to the unionized hourly group was signed by the individual employee's factory manager. It said, in part:

"The attached price tag is self-explanatory. It shows the price of extra benefits that your company paid, on the average, for every employee during the

year 1960. This cost of \$1,586.30 is in addition to regular straight-time wages paid during the year. You will note that these costs increased over \$100 for each employee in the past year.

"I thought you should know about this for several reasons. First, our company has one of the finest benefit programs in industry. All of us enjoy the many 'extras' and the broad protection afforded by these benefits. . . .

"More important, however, is that we must remember a program as liberal as this price tag shows costs a lot of money. For the employees represented by the Rubber Workers union alone, this cost exceeded \$37,000,000 in 1960. Whether or not you individually realized each one of the many benefits listed on the price tag, the company did pay the money shown. We

PRICE TAG

ITEM: BENEFITS FOR EMPLOYEES
OF
United States Rubber Company
ANNUAL AVERAGE PRICE PER EMPLOYEE

1958	~~\$1,300.00~~
1959	~~\$1,488.76~~
1960	<u>\$1,586.30</u>

EMPLOYEE BENEFITS ARE NOT SUBJECT TO PRICE REDUCTIONS WHEN BUSINESS IS POOR, COMPETITION KEEN AND MERCHANDISE SLOW MOVING.

SOLD

To: *United States Rubber Co.*
For: *Employees*

(OVER)

¹See "Getting Across the Value of Employee Benefits," *Management Record*, October, 1959, page 334.

very much concerned about the rapid increase in benefit costs because they can be paid for only by raising our products and services at a profit. . . . I am asking you to consider seriously how important your job and these benefits are to you and your family, and then to help yourself and your fellow employees by making United States Rubber competitive so we may all continue to enjoy the liberal benefit program we now have."

The \$1,586.30 figure appearing on the price tag was computed on the basis of the costs of the benefits extended to unionized hourly employees. A different letter accompanied the price tag when it was sent to nonunion salaried and nonunion hourly employees. Their letter, signed by the individual employee's

factory manager or staff department head, explained the significance of the price tag as follows:

"Over the past several years we have kept you informed regarding the cost of so-called 'fringe' benefits for our wage employees. The costs for 1960 are shown on the attached price tag. You will note that they have increased by more than \$100 over the 1959 costs.

"Although there are necessary differences between wage and salary benefits, you will recognize many similarities. The important point is that the extra costs beyond straight-time earnings are very large and must be paid out of the operation of our business. . . .

"We have asked our wage employees to cooperate in every reasonable way on their jobs, and realize you will do so on yours."—J. R. O'M.

Management Bookshelf

Organized Executive Action: Decision-making, Communication and Leadership—The author's purpose is "to provide the reader with insights into the manner in which a variety of knowledge and techniques become a part of an integrated managerial process." To do this, he has used an interdisciplinary approach, combining such subjects as operations research, information theory, group dynamics, electronic data processing, semantics, economic theory, accounting, budgeting, and quality control as an integral part of the book. Environmental forces, such as the economy, product and resource markets, government, and society, are analyzed in terms of their relationship to organizational dynamics. Managerial responsibility, property and power, and the social foundations of authority are also considered. *By Henry H. Albers, John Wiley and Sons, New York, New York, 1961, 604 pp., \$8.50.*

Polychart Graphic Primer—The author of this self-instruction manual, Paulette leCorre Lydon, has been chief chartist at THE CONFERENCE BOARD for the past thirty years and has been responsible for the graphic material in its *Road Maps of Industry, Chart Books, Wall Charts, Reports*, and magazines. She has taught scores of beginners and has turned journeyman chartists into experts.

In this primer, which really proceeds from rudiments far into advanced training, she explains the techniques of modern statistical charting in clear language and with simple examples. It has been designed not only for beginners, but also for junior chartists who wish to develop their skills, and for executives who have to make graphic representations of company affairs to top management and to stockholders.

The well-illustrated "right way" vs. "wrong way" teaching method is unique, as is the section that deals with the selection of the proper chart form: curve, bar, pie, box, or

pictograph. There are nearly 1,000 charts. The course is in three parts—"Basic Procedure," "Workshop Practice," "Advanced Training"—the first of which is off the press; the others are in production. *By Pol Lydon, The Polychart Graphic Workshop, 16 Sidney Place, Brooklyn Heights 12, New York, 1961, 256 pp., \$25.*

Law and the National Labor Policy—This monograph contains a collection of five essays giving the author's analysis of our national labor policy. The titles of the five essays are: The evolution of the labor-management relations law; public policy toward union organizations; the role of public policy in the negotiation of collective bargaining agreements; the role of law in the administration of labor agreements; and the public interest in internal union affairs. *By Archibald Cox, Institute of Industrial Relations, University of California, Los Angeles, California, 1960, 111 pp., \$2.50.*

Steelworkers in America—The author studies the steelworkers and their industry in days before the United Steelworkers was formed. Subjects covered include: the breakdown of craft unionism, the skilled workers, the mill towns, the steelworkers and the World War. *By David Brody, Harvard University Press, Cambridge, Massachusetts, 1960, 303 pp., \$5.*

Corporate Diagrams & Administrative Personnel of the Chemical Industry; 1961 Edition—This is the fourth annual edition of collected charts and top management personnel listings for chemical companies and chemical divisions and subsidiaries. Included are charts from forty-one chemical firms and ten divisions and subsidiaries. *Edited by Kenneth R. Kern, Chemical Economic Services, Post Office Box 468, Princeton, New Jersey, 95 pp., \$20 (with September, 1961 supplement).*

PERSONNEL PRACTICES

Summer Military Training Requirements

The Universal Military Training and Service Act now makes it illegal for employers to require an employee who belongs to a reserve or a National Guard unit to take his vacation while he is fulfilling his summer encampment or cruise obligations. On his return to the job, warns the United States Department of Labor, the employee must be reemployed "with such seniority, status, rate of pay and vacation as he would have had if he had not been absent to fulfill his military obligation."

In order to avail himself of this reemployment protection, the reservist or National Guardsman is required by Public Laws 86-632 to request his employer for a leave of absence on being called to inactive duty training. Inactive duty training is defined as "consisting of weekly drill periods and summer encampments or cruises, usually of two weeks' duration." The employer does not have to pay the employee while he is away for such training.

When the summer encampment or cruise training ends, the employee no longer has thirty days in which to report back to work. He must be on the job "at the beginning of the next regularly scheduled work period, after expiration of the last calendar day necessary to travel from the place of training to the place of employment."

Suggester Wins Record Award

A \$32,000 suggestion award—believed to be the largest ever made to an individual in industry—was recently presented to a customer engineering systems specialist at the Baltimore branch office of the International Business Machines Corporation.

The winning idea suggested a design change in the drive units of the magnetic tapes which are used as principal input-output devices for high-speed computers. Besides improving the performance of the tape mechanism, the design change will reduce maintenance time for thousands of tape units now in use. It was suggested by a man who graduated from two of the company's computer schools at the head of his class.

The amount of suggestion awards at IBM is based on a percentage of what the company saves during the first year after a submitted idea is adopted. No one award can exceed \$75,000. During 1960, a total of \$719,000 was paid for 11,229 adopted suggestions (an average of over \$64 per suggestion) under the company's plan, which dates back to 1928.

Barred from the Job

The subject of leaves of absence is given a wide range of coverage in some company policy and procedure manuals. One manufacturer's manual even considers the plight of the employee who cannot get to work because a judge has sentenced him to a term in jail. In discussing leaves for compelling reasons, the manual states:

"Under certain situations, leaves of absence will be granted in the following cases:

"1. *Serving a Jail Sentence*—In special cases, where the offense involved is minor, an employee may be granted a leave for the length of his incarceration as determined through newspapers or checking with the clerk of court."

Stormy Weather Service

If a storm is raging on Long Island, employees of the Grumman Aircraft Engineering Corporation can find out as soon as their alarm clocks ring in the morning whether or not the company's plants at Bethpage and Peconic will be closed for the day. They get the information, beginning at 5:30 a.m., either by calling a special telephone number for a recorded company message or by turning on the radio. An announcement is sent by the company to thirteen local radio stations at the 5:30 hour. Three of the stations broadcast it periodically from then on; the rest do so from the time they go on the air.

Moonlighting in Brazil

Most educated Brazilians hold more than one job, according to T. Lynn Smith, who served with the United States Department of State in Rio de Janeiro. Upper-class Brazilians, he reports in an article on

il in *The Annals*,¹ seldom devote their energies to one pursuit, but spread their interests and activities widely among the professions, government administration and diplomacy, writing and university training, and business. Also, he adds, large numbers of those between upper- and middle-class status are able to live on the proceeds from one profession or occupation and find it necessary to hold a variety of jobs—"rarely less than three." The multiple jobs are frequently located in scattered locations, and this complicates local traffic problems considerably.

Mandatory Retirement for Directors?

It is still common practice to re-elect company directors until their voluntary retirement or death, the CONFERENCE BOARD found in a recent survey of manufacturing companies. However, there is clear evidence that the number of companies requiring directors to retire at a certain age is increasing. These compulsory retirement arrangements and other practices dealing with the length of service of company directors are reported in "Tenure and Retirement of Directors" in the May issue of *The Business Record*.

Supplementary Pay in Manufacturing in 1959

Over 20% of the wages that were paid during 1959 to some 3.5 million production and related workers in 100 manufacturing establishments represented supplementary pay, according to preliminary findings of the Bureau of Labor Statistics.² Here is a breakdown of the Bureau's findings:

Supplementary Pay Type of	Percentage of Gross Payroll in 1959	Equivalent in Cents Per Hour
Paid leave	6.0%	13.5¢
Premium pay	4.3	9.7
Legally required payments	4.5	10.1
Private welfare plan payments	5.4	12.1
Totals	20.2%	45.4¢

Paid leave was made up of vacations (3.6%), paid holidays (2.1%), and sick, personal, military and other forms of paid leave (0.3%). Premium pay included extra pay for overtime and week-end work (6%), work on holidays (0.1%), shift differentials (9%), and premiums not reported separately

¹*The Annals of the American Academy of Political and Social Science*, March, 1961, p. 98.

²Preliminary Release: Employer Expenditures for Selected Supplementary Remuneration Practices for Production Workers in Manufacturing Industries, 1959," United States Department of Labor, Bureau of Labor Statistics, March, 1961.

(0.7%). Legally required payments took in Social Security (2.2%), unemployment compensation (1.4%), workmen's compensation (0.8%), and state temporary disability insurance (0.1%). Private welfare payments consisted of payments for pension and retirement plans (2.4%), health, accident and life insurance coverage (2.1%), year-end and Christmas bonuses (0.5%), supplemental unemployment benefits (0.1%), savings plans (0.1%), vacation and holiday funds (less than 0.05%), severance pay (less than 0.05%) and private welfare plans not reported separately (0.2%).

Industry Variations: The average ratio of paid leave to gross payroll ranged from a low of less than 4% in the lumber and textile industries to a high of 10.4% in the petroleum industry. Petroleum companies also paid the most (12.2% of their total payroll cost) for private welfare plans, while companies in the lumber industry paid the least (2.4%). "Generally," comments BLS, "expenditures [for supplementary pay] were highest in the high wage industries, possibly reflecting the freedom of high wage workers to choose leisure and security benefits over current income."

The Compacts Are Coming

Some companies that maintain large staffs of salesmen on the road are switching to compact cars as an economy measure. The General Foods Corporation, for example, after a successful savings experience with 800 of the smaller models last year, no longer purchases the full-size models. Its fleet of 1,750 cars is now made up almost entirely of compacts.

American Production Abroad — Friend or Foe?

American companies that manufacture some of their products abroad are actually protecting the jobs of American workers at home, according to John T. Connor, president of Merck & Co., Inc. He explains that more United States jobs would be lost if United States corporations abstained from foreign operations. In support of his contention, he gives the following example:

"The government of Peru recently decreed that no finished pharmaceuticals can be imported into Peru. As a consequence, Merck is now building a plant in Lima. This is not a question of exporting American jobs. We either open a plant or we stop selling our products in Peru. Incidentally, but of great practical consequence to our United States employees, by building a Peruvian plant we assure a continuing market in that country for chemical intermediate products made in Merck plants in the United States." —J.R.O'M.

AFL-CIO Predicts 1961 Bargaining Results

ALTHOUGH there will be "isolated instances" where unions will agree to a wage freeze or even a decrease, the AFL-CIO predicts that, despite the recession, most contract settlements this year will provide "moderate increases." The average size of these increases should be between 3% and 5%, estimates the *AFL-CIO Collective Bargaining Report*. The aim is to match the rise in the cost of living (which in the past few years has run from 1% to 2%) and to add 2% to 3% in "real gains."

The labor federation warns that any recession argument presented by employers will be rebutted at the bargaining table. Unions will tell the companies that the economic picture in a particular industry or company is far more influential in determining wage settlement levels than the nationwide economic situation. Further, continues the *AFL-CIO Collective Bargaining Report*, unions will not be conclusively swayed by management arguments that review business results of the preceding months. Rather, they will insist on scrutinizing the company's prospects for the months ahead, as well. Finally, labor will explain that at a time like this rising wages are needed to bolster consumer purchasing in order to reverse the business slump.

The AFL-CIO also finds that automatic cost-of-living adjustment provisions will be continued in most contracts negotiated this year. Aware that the number of workers covered by such provisions declined by a million during the past year, the federation points out that settlements in the electrical manufacturing and railroad industries accounted for almost the entire decrease. The labor body emphasizes that there is no widespread move on to remove these clauses.

The typical union view remains that a union may agree to eliminate a cost-of-living provision if the duration of the agreement is one year or less, says the AFL-CIO. But where management seeks a longer term, with no renegotiation of wages during that term, then the workers must have escalator protection against price rises during the life of the agreement.

Fringe benefits, too, will probably be improved as a result of 1961 contract settlements. Unions will

focus their attention on gaining provisions to ease the burden of the laid-off worker. Liberalization of early retirement provisions, maintenance of health insurance coverage for workers on extended layoff and severance pay benefits are among the targets that labor will aim at.

Amalgamated Turning Protectionist?

Notwithstanding its threatened embargo on Japanese textiles, the Amalgamated Clothing Workers emphatically denies that it has adopted a protectionist attitude on foreign trade.

The union asserts that it still is in favor of sound reciprocal trade. However, it feels this cannot be accomplished by the present twenty-year-old reciprocal trade agreement. In an industry such as the needle trades all a manufacturer in a newly developing country needs is a few sewing and pressing machines and a cutting table, says *The Advance*, the union's semi-monthly. Then, paying his workers 10 to 14 cents an hour, he can bombard the world's garment market with "cheap new products," and lay established industries "flat on their backs."

The Advance claims that the reciprocal trade laws were not designed to permit this kind of competition but "in their present form they have no adequate provisions for action until grave and very likely irreparable damage has been done." Until changes are made in these laws, the ACWA advocates "protecting itself with its own two hands."

UMW Scolds AFL-CIO

"The present program of the AFL-CIO tends to disorganize the organized," claims an editorial in the *District Fifty News*, the semi-monthly publication of the independent United Mine Workers' 225,000 member local.

In the midst of attacks on labor that have resulted in the enactment of the Landrum-Griffin law, renewed efforts at passing right-to-work laws in state legislatures, and Boulwareism at the bargaining table, AFL-CIO craft and industrial unions have become em

ed in an internal feud over proposed legislation to remove restrictions on some forms of picketing, says the miner's newspaper.

Before the two labor federations merged, the unions cooperated on legislative programs. Now, contends the editorial, politics within the AFL-CIO has taken precedence over other things with the result that unions are "not . . . working together as well as they did before the merger took place."

Refunds Given to Kohler Strikers

The Internal Revenue Service is refunding more than a million dollars in taxes on strike benefits collected from former Kohler Company employees, declares the *AFL-CIO News*.

Benefits paid by an international union to a striker were first exempted from taxable income in the Kaiser case decided by the Supreme Court last year. At that time the high court declared that benefits paid to a union striker on the basis of need were actually nontaxable gifts.

Subsequently, says the AFL-CIO weekly, the Internal Revenue Service expanded the court's interpretation to include those benefits paid to union members. Each case, states the federation weekly, will be treated on its own merits. Such factors as the form and amount of the benefit, other income of the individual, conditions of payment, and availability of public assistance will be considered in determining the refund, notes the IRS.

W Views Automation

As a result of automation, employment opportunities for members of the International Brotherhood of Electrical Workers, AFL-CIO, have increased in certain industries, notably construction, automation equipment and atomic energy, says *The Electrical Workers' Journal*.

At the same time, the employment of other union members in such industries as wire and cable, electronic equipment, and electric utilities has declined because of new processes or through replacement of old plants by automated ones. These latter workers were urged by the IBEW journal to enroll in the international union's electronic training courses. In addition, IBEW local unions are asked to seek contract provisions that:

Keep as many workers as possible on the job—The IBEW monthly advises its locals to negotiate a clause guaranteeing to any employee with a specified

seniority his job, without any reduction in pay, for the lifetime of the agreement. Local unions are also urged to compel management to give them advance warning when technological changes are contemplated in order that they may have time to find suitable openings for the affected workers.

2. Allow the worker to share in the fruits of increased productivity—This can be attained, asserts the union periodical, by careful negotiation of new job content and classification and by establishing wage rates and fringe benefits based on increased productivity.

3. Protect workers who are displaced—The IBEW recommends that locals win contract clauses that assure displaced workers: first opportunity to obtain the new or other vacant jobs; transfer rights, with seniority protection, to other plants of the company; severance pay; and supplementary unemployment benefits.

Locals To Get News Service

The lot of editors of local union newspapers will be made much easier if they subscribe to a service recently inaugurated by Press Associates, Inc., reports the *IUD Bulletin*, monthly publication of AFL-CIO's Industrial Union Department.

For a fee of \$3 a month, the local union will be provided with a pre-edited paper, which leaves space on each page for local news. Art work is designed for ease in tracing on a stencil. The service, says the *IUD Bulletin*, was created at the request of international union educational directors and editors.

JOHN J. McKEW

Division of Personnel Administration

Europe's Coal and Steel Community—An economic analysis of the European Coal and Steel Community, forerunner of the Common Market. By Louis Lister. *Twentieth Century Fund, New York, New York, 1960, 495 pp. \$8.*

The Canadian Economy: Prospect and Retrospect—Based on a study carried out for the Canadian Pacific Railway Company, this volume presents an assessment of the economic outlook for Canada for the period ending in 1970. The work was undertaken concurrently with the more exhaustive investigations of the Royal Commission on Canada's Economic Prospects, but its predictions were made independently and in some cases differ substantially from those of the commission. By Richard E. Caves and Richard H. Holton. *Harvard University Press, Cambridge, Massachusetts, 1959, 676 pp. \$10.*

Significant Labor Statistics

Item	Unit	1961			1960				Year Ago	Percentag Latest Month over Previous Month.	
		March	Feb.	Jan.	Dec.	Nov.	Oct.	Sept.			
Consumer Price Index (BLS)											
All Items	1947-1949 = 100	127.5	127.5	127.4	127.5	127.4	127.3	126.8	125.7	0	
Food	1947-1949 = 100	121.2	121.4	121.3	121.4	121.1	120.9	120.2	117.7	-0.2	
Housing	1947-1949 = 100	132.5	132.4	132.3	132.3	132.1	132.2	132.0	131.3	+0.1	
Apparel	1947-1949 = 100	109.8	109.6	109.4	110.6	110.7	111.0	110.6	108.8	+0.2	
Transportation	1947-1949 = 100	145.7	146.2	146.2	146.5	146.5	146.1	144.7	146.5	-0.3	
Medical Care	1947-1949 = 100	159.6	159.4	158.5	158.0	157.9	157.3	156.9	155.0	+0.1	
Personal Care	1947-1949 = 100	133.6	133.8	133.7	133.7	133.9	134.0	133.9	132.7	-0.1	
Reading and Recreation	1947-1949 = 100	123.4	122.7	122.2	122.3	122.5	121.9	122.1	120.9	+0.6	
Other Goods and Services	1947-1949 = 100	132.6	132.6	132.6	132.7	132.7	132.7	132.7	131.7	0	
Employment Status (Census)											
Civilian labor force	thousands	71,011	70,360	69,837	70,549	71,213	71,069	71,155	68,473	+0.9	
Employed	thousands	65,516	64,655	64,452	66,009	67,182	67,490	67,767	64,267	+1.3	
Agriculture	thousands	4,977	4,708	4,634	4,950	5,666	6,247	6,588	4,565	+5.7	
Nonagricultural industries	thousands	60,539	59,947	59,818	61,059	61,516	61,244	61,179	59,702	+1.0	
Unemployed	thousands	5,495	5,705	5,385	4,540	4,031	3,579	3,388	4,206	-3.7	
Wage Earners (BLS)											
Employees in nonagricultural establish- ments, total	thousands	p 51,687	r 51,311	r 51,661	53,547	53,370	53,631	53,743	52,398	+0.7	
Employees in nonagricultural establish- ments, without Alaska & Hawaii ¹	thousands	p 51,461	r 51,087	r 51,437	53,310	53,133	53,391	53,496	52,172	+0.7	
Manufacturing	thousands	p 15,453	r 15,477	r 15,580	15,836	16,129	16,313	16,505	16,478	-0.2	
Mining	thousands	p 622	r 623	r 629	641	647	656	663	666	-0.2	
Construction	thousands	p 2,460	r 2,260	r 2,385	2,552	2,847	3,006	3,069	2,312	+8.8	
Transportation and public utilities	thousands	p 3,755	r 3,750	r 3,763	3,843	3,868	3,889	3,907	3,900	+0.1	
Trade	thousands	p 11,365	r 11,278	r 11,464	12,405	11,842	11,742	11,665	11,325	+0.8	
Finance	thousands	p 2,512	r 2,496	r 2,490	2,504	2,499	2,501	2,515	2,444	+0.6	
Service	thousands	p 6,569	r 6,531	r 6,518	6,612	6,665	6,698	6,698	6,511	+0.6	
Government	thousands	p 8,725	r 8,672	r 8,608	8,917	8,636	8,586	8,474	8,536	+0.6	
Production and related workers in mfg. employment	thousands	p 11,384	r 11,409	r 11,502	11,745	12,037	12,226	12,399	12,435	-0.2	
All manufacturing	thousands	p 6,329	r 6,369	r 6,456	6,613	6,786	6,863	6,949	7,205	-0.6	
Durable	thousands	p 5,055	r 5,040	5,046	5,132	5,251	5,363	5,450	5,230	+0.3	
Nondurable	thousands	p 1,329	r 1,369	r 1,400	1,481	1,535	1,503	1,499	1,975	-0.3	
Average weekly hours	number	p 39.1	r 38.9	38.8	38.6	39.2	39.6	39.5	39.7	+0.5	
All manufacturing	number	p 39.5	r 39.3	39.2	39.1	39.6	40.1	39.9	40.3	+0.5	
Durable	number	p 38.6	r 38.4	38.4	38.0	38.8	39.0	39.0	38.8	+0.5	
Average hourly earnings	dollars	p 2.32	r 2.31	2.32	2.32	2.30	2.30	2.30	2.29	+0.4	
All manufacturing	dollars	p 2.47	r 2.47	2.47	2.48	2.46	2.46	2.46	2.47	0	
Durable	dollars	p 2.12	r 2.11	2.12	2.11	2.10	2.09	2.09	2.06	+0.5	
Average weekly earnings	dollars	p 90.71	r 89.86	90.02	89.55	90.16	91.08	90.85	90.91	+0.9	
All manufacturing	dollars	p 97.57	r 97.07	96.82	96.97	97.42	98.65	98.15	98.74	+0.5	
Durable	dollars	p 81.83	r 81.02	81.41	80.18	81.43	81.51	81.51	79.93	+1.0	
Straight time hourly earnings (estimated)	dollars	p 2.27	r 2.26	2.28	2.28	2.25	2.25	2.25	2.24	+0.4	
All manufacturing	dollars	p 2.41	r 2.42	2.42	2.42	2.40	2.39	2.40	2.40	-0.4	
Durable	dollars	p 2.08	r 2.07	2.08	2.08	2.06	2.05	2.05	2.02	+0.5	
Turnover Rates in Manufacturing (BLS)											
Separations	per 100 employees	p 3.1	3.6	4.3	3.9	3.9	3.8	4.2	3.7	-13.9	
Quits	per 100 employees	p 0.7	0.6	0.7	0.6	0.7	1.0	1.8	1.0	+16.7	
Layoffs	per 100 employees	p 1.9	2.5	3.0	2.9	2.7	2.2	1.8	2.2	-24.0	
Accessions	per 100 employees	p 2.7	2.7	3.1	1.8	2.3	2.8	3.5	2.7	0	

¹ The following eight industries also exclude Alaska and Hawaii. p Preliminary. r Revised. n.a. Not available.

Significant Pay Settlements

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
DURABLE MANUFACTURING		
Metall, Inc. with Milwaukee, Wisconsin. 300 hourly 3-1-61. Contract expired 2 years	Effective 1st year 7¢ per hour general increase, plus additional 2¢ for 1st 3 labor grades and 7¢ for certain skilled trades workers Deferred increase: additional 7¢ effective 3-1-62	Revised: Additional \$1000 face value of group life insurance; sick benefits increased to \$55 per week; additional \$1000 accidental death and dismemberment insurance
Electric Company with Association, (ind.) in Schenectady, New York and West Milton, N. Y. 840 salaried effective to 10-2-60, wage portion retroactive to 9-26-60. Contract expired 3 years	3% general increase; escalator provisions discontinued Deferred increase: 3% additional 4-2-62	Added: 8th paid holiday; 4 weeks' vacation after 25 years; layoff income or termination pay for employees with 3 or more years' service Revised: Health and welfare and pension benefits
Steel Corporation with at Fontana, Montebello and Eagle Road, California, 7,000 hourly contract due to expire 6-30-61 was extended to 6-30-62	No immediate general increase Deferred increase: 7¢ per hour general increase plus 0.1¢ on increments between job classifications (approx. 8½¢, effective 10-1-61; company will pay same cost-of-living adjustments, if any, as other big steel producers effective 1-1-62)	Company will pay same amount of California disability tax as other steel producers, effective 1-1-62
Electric Products Inc., Buffalo System, with Buffalo, New York. 430 hourly effective to 8-29-60. Contract expired 2 years; pension plan reopened later than 7-1-61	5¢ to 10¢ per hour increase; escalator provision discontinued	Added: 4 weeks' vacation pay after 25 years; company-financed pension plan effective 9-1-61; severance pay provision in case of plant shutdown; contributory savings and security program, effective 9-1-61
Workers in Seneca Falls, New York. 900 hourly effective to 8-29-60. Contract expired 2 years; pension reopening not later than 7-1-61	Same as above	Same as above
Electric Company with Union Workers. Nationwide. 12,700 salaried effective 1-29-61. Contract expired 3 years; wage reopenings 2nd year	5¢ to 11¢ per hour increase for installers, \$2.50 per week increase for job clerks. Per diem allowance increased by 75¢ for employees temporarily transferred over 250 miles from assigned base location	Revised: Group life insurance and medical care provisions; 4 weeks' vacation after 25 years (was 30); increased pension minimums
NONDURABLE MANUFACTURING		
Dress Mfgs.; National Dress Mfgs. United Popular Dress Mfgs. Assn.; Better Dress Mfgs. Assn.; Popular Dress Mfgs. Group; National Dress Assn.; also some 200 independent companies in New York, New Jersey, Pennsylvania, Connecticut, Rhode Island, Massachusetts, Vermont and part of Delaware. 90,000 hourly effective 4-1-61. Contract expired 3 years	5.5% general increase (\$3 per week minimum). Industry minimums to remain at least 15% above the federal minimum wage	Added: 4 paid holidays guaranteed the first year and 6½ the second
Eastern Press, Inc. with Printing & Paper Trades Auxiliary Workers in Philadelphia, Pennsylvania. 750 hourly effective 3-23-61. Contract expired 2 years	No general increase Deferred increase: 7¢ per hour next year	Added: Company contributes 45¢ per employee per shift to health and welfare plan; further study of plan to be made
Shoe Company with Shoe Workers in the Boston area. 1,200 effective to 1-1-61. Contract expired 2 years	2% increase retroactive to 1-1-61	Added: 2½ time for work on holiday, 9th paid holiday (Washington's Birthday) Revised: Effective 7-1-61 additional company contribution to Blue Cross coverage of employees
Chocolate Corp. with Bakery Workers at Hershey, Pa. 3,000 effective 1-1-61. Contract expired 2 years	8¢ per hour general increase, plus classification adjustments ranging from 3¢ to 7¢ per hour; 1½ time for Saturday work as such, going to 1¼ time 1-1-63 Deferred increase: 7¢ per hour additional 1-1-62 and again 1-1-63	Added: 9th paid holiday effective 3rd year; half day's pay for New Year holiday Revised: Vacation provisions

Significant Pay Settlements—continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
Scott Paper Company, Cup Division, with <i>Pulp, Sulphite & Paper Mill Workers</i> in Philadelphia, Pennsylvania. 100 hourly employees Effective 2-8-61. Contract expired New contract: 2 years; wage reopening 2nd year	6¢ per hour increase	Added: Jury duty pay; funeral leave pay Revised: Group insurance
NONMANUFACTURING		
Alabama Dry Dock & Shipbuilding Company with <i>Marine & Shipbuilding Workers</i> in Mobile, Alabama. 2,500 hourly Effective 3-2-61. Contract expired New contract: 3 years	5¢ per hour general increase Deferred increase: 11¢ additional effective 2nd year; 5¢ additional effective 3rd year	No change
American Airlines with <i>Transport Workers</i>. Nationwide agreement. 8,500 hourly, airline mechanics; plant maintenance, fleet and ground servicemen; and stock clerks Retroactive to 10-1-60. Contract expired New contract: 18 months	From 15¢ to 39¢ per hour general increase; additional 4¢ per hour classification adjustment for about 5% of employees; longevity pay of 1¢ an hour per year of service after the 3rd year up to 10¢ an hour for 13 years' service or more	Revised: Vacation provisions; shift differential increased by 2¢ to 9¢ an hour effective
The AFL-CIO and 13 international unions with <i>Office Employees</i> at Washington, D. C. 900 clerical employees Retroactive to 10-1-60, or expiration date of old individual contract, whichever is earliest Master agreement—2 years' duration	\$3 per week general increase, plus additional increases necessary to bring pay scales up to new minimums in 1, 2, or 3 annual steps; 35-hour workweek Deferred increase: \$3 per week general, effective 10-1-61	Revised: Vacation provisions: 1 week months, 2 weeks after 1 year, 3 weeks after 8 years, effective 10-61; 9 paid holidays
Illinois Bell Telephone Company with <i>IBEW</i>. Interstate. 12,000 salaried Retroactive to 10-30-60 on wages and 10-1-60 on other items. Contract expired New contract: 28 months; wage reopener 2-4-62	From \$2.50 to \$4.50 per week for craft employees; \$1.50 to \$2.50 for clerical employees Deferred increase: From 50¢ to \$2.50 per week additional effective 5-28-61	Revised: Pension and provision for ordinary medical expenses
New York Telephone Company with <i>Telephone Employees Organization (ind.)</i> in New York City area. 4,000 hourly Effective 12-4-60. Contract expired New contract: 3 years; wage reopenings 12-3-61 and 12-3-62	\$2 to \$4 per week increase for accounting department employees	Added: Employer-financed major medical benefits plan Revised: 4 weeks' vacation after 25 years. \$5 to \$10 per month raises in pension benefits at age 65. Compensation for 1st \$2,000 of life insurance than 1st \$1,000
and with <i>Union of Telephone Workers (ind.)</i> in New York City area. 6,400 hourly Effective 12-14-60. Contract expired New contract: 3 years; wage reopenings 12-13-61 and 12-13-62	\$2 to \$4.50 per week increase for commercial and headquarters department employees	Same as above
Southern California Edison Company, Steam Generating Division, with <i>Utility Workers</i> in Southern California (7 plants). 430 hourly Retroactive to 1-1-61. Contract expired New contract: 2 years; wage reopening 1-1-62	4% (12¢ per hour average) increase; 9¢ and 13¢ (were 8¢ and 12¢) per hour shift differentials	Revised: Holiday provisions; \$7 (was \$5) in lieu of board and lodging; \$1.50 (was \$1) in lieu of meal allowance
United Air Lines with <i>I.A.M.</i> Nationwide. 9,000 hourly Wages retroactive to 12-1-60. Contract expired New contract: 18 months	11¢ to 15¢ per hour general increase for hourly paid employees; additional 2¢ afternoon and 3¢ midnight shift premium Deferred increase: \$19.25 per month for guards, effective 4-1-61	Revised: Vacations (3 weeks after 10 years, 4 weeks after 20); increased compensation to sickness and accident insurance costs Added: Insurance of \$100,000; death benefits for employees participating in "bombing" investigations

¹ All unions are affiliated with AFL-CIO unless otherwise indicated.

In the May Business Record

Inventories in the 1960-1961 Recession—The decline in inventory investment in the nonfarm sectors of the economy actually exceeded the drop in gross national product. Nonfarm inventories accounted for 63% of the total decline in the 1957-1958 recession, 100% in the 1953-1954 fall from peak, and 84% in 1948-1949.

Consumer Buying Plans Still Restrained—The eleventh survey conducted by the Board under the sponsorship of "Newsweek" reveals that, while business was still moving at a slow pace in the first two months of 1961, survey participants were quite optimistic about future job opportunities in anticipation of rising income. However, their confident outlook was not expressed in purchasing plans. The buoyant stock market gives meaning to trends in plans to purchase certain commodities in the coming months.

Tenure and Retirement of Directors—Of the 205 companies participating in The Conference Board's monthly survey of business opinion and experience, all agree that "age and ability to contribute to the company are the principal considerations that limit a director's length of service." Aside from these factors, a mandatory retirement age is the one formal means used to limit a director's tenure of office. Compulsory retirement arrangements, as well as other company practices that may affect a director's length of service, are discussed in this article.

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